



2024 Loan Originator Training

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Agenda

- Loan Originator Basics
- Application Requirements
- Underwriting Requirements
- Closing Requirements
- Servicing Requirements
- Fair Lending Considerations
- Mortgage Lending Hot Topics
- Bonus Material

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Loan Originator Basics

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Loan Originator Basics

- SAFE Act
- RESPA Section 8

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SAFE Act

Loan Originator Basics

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SAFE Act

- Scope and Coverage
- Registration Requirement
- Use of NMLS Number

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Scope and Coverage

SAFE Act

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Scope and Coverage

- The requirements of the SAFE Act apply to mortgage loan originators (MLOs), defined as those who:
 - Take residential mortgage loan applications; and
 - Offer or negotiate the terms of a residential mortgage loan for compensation or gain

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Registration Requirement

SAFE Act

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Registration Requirement

- MLOs must register with the Nationwide Mortgage Licensing System and Registry and obtain a unique identifier (NMLS number)
- Registered MLOs must notify their credit union's SAFE Act administrator of any change to their registration information (e.g., name, address, etc.) within 30 days
- Registered MLOs must renew their registration annually (between November 1st and December 31st)

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Use of NMLS Number

SAFE Act

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Use of NMLS Number

- Registered MLOs must provide their NMLS number:
 - Upon request,
 - Before acting as an MLO, and
 - Through his/her initial written communication with a consumer (either by paper or electronically)

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Use of NMLS Number

- The NMLS number of both the credit union and the MLO must appear on the following loan documents:
 - The credit application,
 - The Loan Estimate and Closing Disclosure,
 - The note or loan contract, and
 - The security instrument (e.g., mortgage or deed of trust)

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RESPA Section 8

Loan Originator Basics

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RESPA Section 8

- Prohibition Against Kickbacks
- Prohibition Against Unearned Fees

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Prohibition Against Kickbacks

RESPA Section 8

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Prohibition Against Kickbacks

- No person shall give, and no person shall accept any fee, kickback, or other thing of value pursuant to an agreement or understanding, oral or otherwise, for the referral of settlement service business involving a federally related mortgage loan

Federally related mortgage loan: a loan secured by a first or subordinate lien on residential real property made by a lender that is regulated by or insured by a federal government agency

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Prohibition Against Kickbacks

- Section 8 does not prohibit:
 - Payment to an attorney, title company, or other third-party for services actually rendered
 - Payment to any person of a bona fide salary or compensation
 - A credit union's payment to its own employees for referral activities
 - Normal and promotional educational activities that are not conditioned on the referral of business and do not involve the defraying of any expense

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Prohibition Against Unearned Fees

RESPA Section 8

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Prohibition Against Unearned Fees

- A charge by a person for which no or nominal services are performed or for which duplicative fees are charged is an unearned fee and a violation of Section 8 of RESPA

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Application Requirements

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Application Requirements

- Application Disclosures
- Collection of Monitoring Information

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Application Disclosures

Application Requirements

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Application Disclosures

- Loan Estimate
- Written List of Service Providers
- Mortgage Toolkit
- Homeownership Counseling Notice
- Appraisal Notice
- Risk-Based Pricing / Credit Score Exception Notice
- Notice to the Home Loan Applicant
- HELOC Application Disclosures

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Loan Estimate

Application Disclosures

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Loan Estimate

- Scope and Coverage
 - All closed-end consumer credit transactions secured by real property or a cooperative unit
 - Excludes:
 - HELOCs
 - Mortgages secured by a mobile home or dwelling that is not attached to real property
- Delivery
 - Within 3 business days of application
 - Not later than 7 business days before closing

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>(See Payment Schedule below for your Estimated Total Monthly Payment)</small>	\$761.78	NO
Prepayment Penalty		YES - As high as \$3,340 if you pay off the loan during the first 2 years.
Ballroom Payment		NO

Projected Payments		
Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ \$2	+ —
Estimated Escrow <small>(Amount can increase over time)</small>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Costs at Closing	This estimate includes	Is escrow?
Estimated Taxes, Insurance & Assessments	<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 2 on page 2 for increased property costs. You must pay for other property costs separately.</small>	YES YES YES
Estimated Closing Costs	Includes \$3,672 in Loan Costs + \$2,362 in Other Costs = \$6,034 in Lender Credits. See page 2 for details.	
Estimated Cash to Close	\$16,054	

Loan Estimate

- Elements of an Application
 - Applicant's name
 - Applicant's income
 - Applicant's social security number
 - Property address
 - Estimated value of the property
 - Loan amount

Loan Estimate

- Definition of Business Day

Within 3 business days of application...	Not later than 7 business days before closing...
Any day in which the credit union's offices are open for carrying on substantially all of its business functions	All calendar days except Sundays and legal public holidays

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Loan Estimate

- Fee Restriction

- The applicant may not be charged any fee in connection with their application until he/she has received the Loan Estimate and indicated their intent to proceed with the transaction
 - Exception:
 - The credit union may charge the applicant a reasonable fee associated with obtaining his/her consumer credit report

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Loan Estimate

- Zero Tolerance
 - These fees may not increase between application and closing

- Fees paid to the credit union or an affiliate
- Fees paid to a third-party if the borrower was not permitted to shop for a provider
- Transfer taxes

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Loan Estimate

- 10% Tolerance
 - The sum total of these fees may increase by up to 10% between application and closing

- Recording fees
- Fees paid to a third-party if the borrower was permitted to shop for a provider and selects one from the credit union's written list

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Loan Estimate

- Unlimited Tolerance
 - These fees may increase by any amount between application and closing

- Prepaid interest, property insurance premiums, amounts placed into escrow
- Fees paid to a third-party if the borrower was permitted to shop for a provider and selects one not on the credit union's written list
- Fees paid to a third-party for services not required by the credit union

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Loan Estimate

- Revised Loan Estimate
 - A revised Loan Estimate must be issued for:
 - A subsequent interest rate lock that causes the points and/or lender credits to change
 - A revised Loan Estimate may be issued for:
 - The original Loan Estimate expires
 - Changes requested by the applicant
 - Changed circumstances

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Loan Estimate

- Changed Circumstances
 - An extraordinary event
 - Information specific to the applicant or transaction that was inaccurate or changed after the initial Loan Estimate was provided
 - Information specific to the applicant or transaction that was not known at the time the original Loan Estimate was provided

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Loan Estimate

- Revised Loan Estimate
 - Rules associated with issuing a revised Loan Estimate:
 - The revised Loan Estimate may only be revised to the extent justified by the changed circumstance
 - The revised Loan Estimate must be placed in the mail within 3 business days of the credit union learning of the changed circumstance
 - The revised Loan Estimate must be received not later than 4 business days before closing

Physical Delivery	Delivery by Mail	Electronic Delivery
Upon physical delivery to the applicant	3 days after it is placed in the mail	3 days after it is transmitted, unless the credit union can confirm earlier receipt

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Written List of Service Providers

Application Disclosures

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Written List of Service Providers

- **Scope and Coverage**
 - If an applicant is permitted to shop for a settlement service provider
- **Delivery**
 - Within 3 business days of application

Additional Details for Services You Can Shop For			
<small>To get your detailed needs shopping, this list identifies some providers for the services you can shop for (see Section C on page 2 of your Loan Estimate).</small>			
Service Provider List		You can select these providers or shop for your own providers.	
Service	Estimate	Provider We Identified	Contact Information

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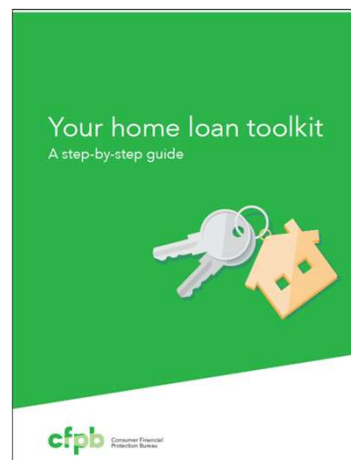
Mortgage Toolkit

Application Disclosures

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Mortgage Toolkit

- Scope and Coverage
 - Purchase money mortgage loans
- Delivery
 - Within 3 business days of application



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Homeownership Counseling Notice

Application Disclosures

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Homeownership Counseling Notice

- Scope and Coverage
 - All federally related mortgage loans, including HELOCs
- Delivery
 - Within 3 business days of application

Housing counselors near you

10 CLOSEST RESULTS TO ZIP CODE 50265

The counseling agencies on this list are approved by the U.S. Department of Housing and Urban Development (HUD), and they can offer information about whether a particular set of mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost to you. This list shows you several approved agencies in your area. You can find other approved counseling agencies at the Consumer Financial Protection Bureau's (CFPB) website, consumerfinance.gov/homeshelp or by calling 1-855-411-CFPB (1-855-411-2377). You can also access a list of nationwide HUD-approved counseling organizations at <http://portal.hud.gov/hudportal/HUD?src=/topic/act>

1. City of Nebraska 6200 Aurora Ave Suite 504W Urbandale, IA 50322-2800 Website: http://www.cityofne.org Phone: 515-235-2277 Email Address: jacinto@cityofne.org Languages: English Services: Mortgage Delinquency and Default Resolution Courses Financial Management Budget Counseling Non-Delinquency Post-Purchase Workshops Pre-purchase Counseling Pre-purchase Homebuyer Education Workshops Rental Housing Counseling	Distance 6.1 miles
2. Home Opportunities Made Easy, Inc. (Home, Inc.) 1111 North Street, Suite 210 Des Moines, IA 50319-2527 Website: http://www.hominco.com Phone: 515-243-1277 Email Address: jacinto@hominco.com Languages: English Services: Financial Management/Budget Counseling Home Improvement and Rehabilitation Counseling Services for Homeless Counseling Non-Delinquency Post-Purchase Workshops Predatory Lending Education Workshops Pre-purchase Counseling Pre-purchase Homebuyer Education Workshops Rental Housing Counseling	Distance 6.1 miles

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Appraisal Notice

Application Disclosures

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Appraisal Notice

- Scope and Coverage
 - First lien loans secured by a dwelling
- Delivery
 - Within 3 business days of application

RIGHT TO RECEIVE A COPY OF APPRAISAL REPORT

FROM:
BANK OF LOUISIANA
101 South Third Street
Louisiana, MO 63353

TO:
BORROWER

Loan Number:
Notice Date:
Property Address:
Right to Receive Copy
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.

Acknowledgment
By signing below, you acknowledge you have received this Disclosure.

_____ Date _____

Bank of Louisiana
Page 1

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Risk-Based Pricing / Credit Score Exception Notice

Application Disclosures

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Risk-Based Pricing Notice

- Scope and Coverage
 - When credit is extended on materially less favorable terms based on information contained in a consumer credit report
- Delivery
 - Closed-End Credit
 - Before consummation
 - Open-End Credit
 - Before the first transaction is made under the plan

[i] - Model form for risk-based pricing notice	
[Name of Entity Providing the Notice] Your Credit Report(s) and the Price You Pay for Credit	
What is a credit report?	A credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors.
How did we use your credit report(s)?	We used information from your credit report(s) to set the terms of the credit we are offering you, such as the [Annual Percentage Rate/down payment]. The terms offered to you may be less favorable than the terms offered to consumers who have better credit histories.
What if there are mistakes in your credit report(s)?	You have a right to dispute any inaccurate information in your credit report(s). If you find mistakes on your credit report(s), contact [insert name of CRA(s)], which [is/are] the [consumer reporting agency/consumer reporting agencies] from which we obtained your credit report(s). It is a good idea to check your credit report(s) to make sure the information [it contains/they contain] is accurate.
How can you obtain a copy of your credit report(s)?	Under Federal law, you have the right to obtain a copy of your credit report(s) without charge for 60 days after you receive this notice. To obtain your free report(s), contact [insert name of CRA(s)]. <i>By telephone:</i> Call toll-free: 1-877-XXXX-XXXX <i>By mail:</i> Mail your written request to [insert address] <i>On the web:</i> Visit [insert website address]
How can you get more information about credit reports and your rights under Federal law?	For more information about credit reports and your rights under Federal law, visit the Consumer Financial Protection Bureau's website at www.consumerfinance.gov/learnmore .

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Risk-Based Pricing Notice

- Materially Less Favorable Terms

4 or Fewer Risk Tiers		5 or More Risk Tiers	
Risk Tier	Notice Required?	Risk Tier	Notice Required?
A	No	A	No
B	Yes	B	No
C	Yes	C	Yes
D	Yes	D	Yes
		E	Yes

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Credit Score Exception Notice

- Scope and Coverage
 - May be provided in lieu of the Risk-Based Pricing Notice if provided to ALL applicants
- Delivery
 - Closed-End Credit
 - Before consummation
 - Open-End Credit
 - Before the first transaction is made under the plan

H.3 - Model form for credit score disclosure, exception for loans secured by one to four units of residential real property.

(Name of Entity Providing the Notice)
Your Credit Score and the Price You Pay for Credit

Your Credit Score

Your credit score: [Insert credit score]
Source: [Insert source] Date: [Insert date score was created]

Understanding Your Credit Score

What you should know about credit scores: Your credit score is a number that reflects the information in your credit report. Your credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors. Your credit score can change, depending on how your credit history changes.

How we use your credit score: Your credit score can affect whether you can get a loan and how much you will have to pay for that loan.

The range of scores: Scores range from a low of [Insert bottom number in the range] to a high of [Insert top number in the range]. Generally, the higher your score, the more likely you are to be offered better credit terms.

How your score compares to the scores of other consumers:

Score Range	% of Consumers
(630-689]	13%
(690-739]	19%
(740-789]	28%
(790-839]	36%
(840-889]	18%
(890-939]	13%

[10] [Your credit score ranks higher than [X] percent of U.S. consumers.]

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Notice to the Home Loan Applicant

Application Disclosures

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Notice to the Home Loan Applicant

- Scope and Coverage
 - If a credit score is used in connection with a mortgage loan application
- Delivery
 - As soon as reasonably practicable

Notice To The Home Loan Applicant

In connection with your application for a home loan, the lender must disclose to you the score that a consumer-reporting agency distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores.

The credit score is a computer-generated summary calculated at the time of the request and based on information that a consumer reporting agency or lender has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit-scoring technologies change.

CREDIT REPORTS & SCORES

Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to you, contact the consumer reporting agency at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The consumer-reporting agency plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms of the loan, contact the lender.

The following company provided the credit score used in making a decision for your loan request. The company that provided the credit score also provided the credit file that your score is based upon.

Experian
701 Experian Parkway
PO Box 2022
Allen, TX 75013-0202
Toll Free 888-397-3742

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HELOC Application Disclosures

Application Disclosures

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HELOC Application Disclosures

- Account Opening Disclosure
- HELOC Brochure

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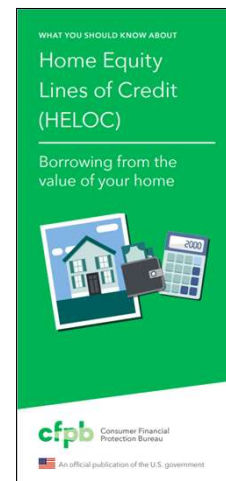
HELOC Brochure

HELOC Application Disclosures

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HELOC Brochure

- Scope and Coverage
 - Open-end credit plans secured by the applicant's principal dwelling
- Delivery
 - At the time an application is provided to the consumer



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Collection of Monitoring Information

Application Requirements

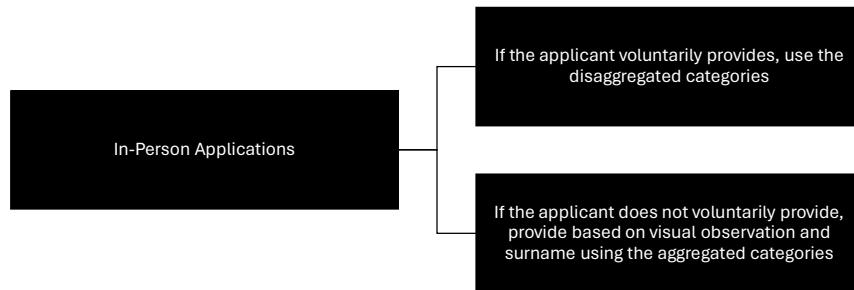
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Collection of Monitoring Information

- Scope and Coverage
 - Regulation B (ECOA)
 - Request monitoring information (ethnicity, race, and sex) in connection with applications for the purchase or refinance of a principal residence

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Collection of Monitoring Information



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Collection of Monitoring Information

- Disaggregated Categories

Ethnicity	Race	
<ul style="list-style-type: none"> Hispanic or Latino <ul style="list-style-type: none"> Mexican Puerto Rican Cuban Other Not Hispanic or Latino 	<ul style="list-style-type: none"> American Indian or Alaska Native Asian <ul style="list-style-type: none"> Asian Indian Chinese Filipino Japanese Korean Vietnamese Other 	<ul style="list-style-type: none"> Black or African American Native Hawaiian or Other Pacific Islander <ul style="list-style-type: none"> Native Hawaiian Guamanian or Chamorro Samoan Other White

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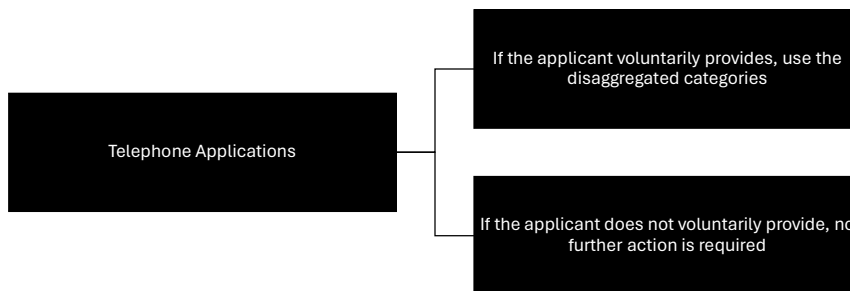
Collection of Monitoring Information

- Aggregated Categories

Ethnicity	<ul style="list-style-type: none">• Hispanic or Latino• Not Hispanic or Latino
Race	<ul style="list-style-type: none">• American Indian or Alaska Native• Asian• Black or African American• Native Hawaiian or Other Pacific Islander• White

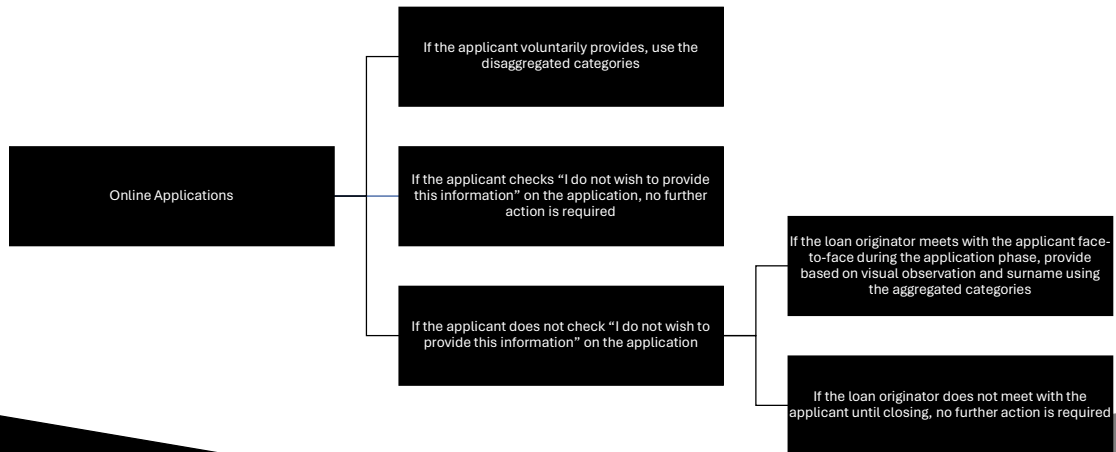
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Collection of Monitoring Information



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Collection of Monitoring Information



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Underwriting Requirements

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Underwriting Requirements

- Ability to Repay / Qualified Mortgages
- High-Cost Mortgages
- Higher Priced Mortgage Loans
- Appraisals
- Flood Insurance
- Adverse Action

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Ability to Repay / Qualified Mortgages

Underwriting Requirements

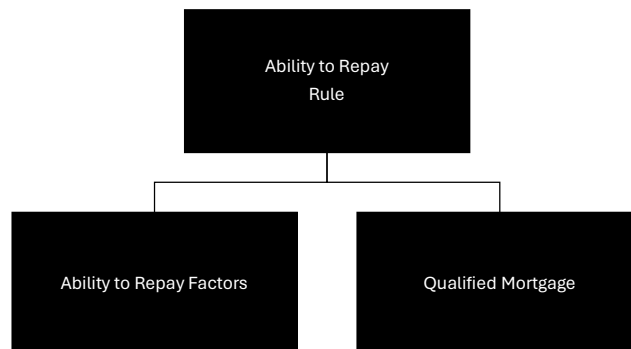
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Ability to Repay / Qualified Mortgages

- Scope and Coverage
 - Any consumer credit transaction secured by a dwelling, except:
 - HELOCs
 - Loans secured by a timeshare
 - Reverse mortgages
 - A temporary or bridge loan with a term of 12 months or less
 - The construction phase (12 months or less) of a construction-to-permanent loan

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Ability to Repay / Qualified Mortgages



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Ability to Repay Factors

Ability to Repay / Qualified Mortgages

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Ability to Repay Factors

- The borrower's current or reasonably expected income or assets
- The borrower's current employment status
- The monthly payment on the covered transaction
- The monthly payment on any simultaneous loan that the credit union knows or has reason to know will be made
- The borrower's monthly payment for mortgage related obligations
- The borrower's current debt obligations, including alimony and child support payments
- The borrower's monthly debt-to-income ratio or residual income
- The borrower's credit history

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Ability to Repay Factors

- When making the ability to repay determination, the credit union must verify the information relied upon using reasonably reliable third-party records

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Qualified Mortgage

Ability to Repay / Qualified Mortgages

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Qualified Mortgage

Pricing Test	Product Test
Points and Fees Test	Underwriting Test

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Qualified Mortgage

- Pricing Test
 - First Lien Loans
 - The APR charged in connection with the transaction does not exceed the current value of the APOR index by more than:
 - 2.25% for loans greater than or equal to \$130,461
 - 3.50% for loans greater than or equal to \$78,277 but less than \$130,461
 - 6.50% for loans less than \$78,277

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Qualified Mortgage

- Pricing Test
 - Subordinate Lien Loans
 - The APR charged in connection with the transaction does not exceed the current value of the APOR index by more than:
 - 3.50% for loans greater than or equal to \$78,277
 - 6.50% for loans less than \$78,277

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Qualified Mortgage

- Pricing Test
 - The loan amounts found in the pricing tests will be adjusted annually for inflation
 - If the loan's interest rate can change during the first five years after the date upon which the loan's first regular periodic payment is due, the credit union must determine the APR/APOR spread using the highest interest rate that may apply during that 5-year period
 - Small creditors are exempt from the pricing test

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Qualified Mortgage

- Small Creditor
 - During the preceding calendar year, the credit union and its affiliates together originated 2,000 or fewer covered transactions secured by a first lien
 - Excludes loans retained in the credit union's portfolio
 - At the end of the preceding calendar year, the credit union together with its affiliates had total assets of less than \$2.64 billion

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Qualified Mortgage

- Product Test
 - The loan contract calls for regular, periodic payments
 - The loan term does not exceed 30 years

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Qualified Mortgage

- Points and Fees Test

Loan Amount	Points and Fees Cap
>\$130,461	3% of the loan amount
\$78,277 to \$130,461	\$3,914
\$26,092 to \$78,277	5% of the loan amount
\$16,308 to \$26,092	\$1,305
< \$16,308	8% of the loan amount

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Qualified Mortgage

- Underwriting Test

- The credit union must consider and verify the borrower's current and reasonably expected income or assets, debt obligations (including alimony and child support), and debt-to-income ratio or residual income
- All items must be verified using reasonably reliable third-party records

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Qualified Mortgage

- Underwriting Test
 - Credit unions that underwrite their loans in accordance with one of the following have a safe harbor for compliance with the underwriting test:
 - FNMA Single-Family Selling Guide
 - FHLMC Single-Family Seller/Servicer Guide
 - FHA's Single-Family Housing Policy Handbook
 - VA's Lender Handbook
 - USDA's Field Office Handbook for the Direct Single-Family Housing Program and Handbook for the Single-Family Guaranteed Loan Program

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High-Cost Mortgages

Underwriting Requirements

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High-Cost Mortgages

- Scope and Coverage
 - A consumer credit transaction secured by the borrower's principal dwelling that meets one of three tests:
 - APR Test
 - Points and Fees Test
 - Prepayment Penalty Test

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High-Cost Mortgages

- APR Test
 - The APR on the loan exceeds the APOR (Average Prime Offer Rate) by:
 - 6.50% or more for 1st lien loans of greater than \$50,000
 - 8.50% or more for 1st lien loans of less than \$50,000
 - 8.50% or more for subordinate lien loans

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High-Cost Mortgages

- Points and Fees Test
 - The total points and fees charged in connection with the transaction exceed:
 - 5% of the loan amount for loans of \$26,092 or greater
 - For loans of less than \$26,092, the lesser of –
 - 8% of the loan amount, or
 - \$1,305

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High-Cost Mortgages

- Prepayment Penalty Test
 - The credit union can charge a prepayment penalty
 - More than 36 months after consummation or account opening; or
 - That totals more than 2% of the amount prepaid

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High-Cost Mortgages

- Requirement #1
 - The credit union must provide the following notice in connection with a high-cost mortgage not later than 3 business days prior to consummation

Special High-Cost Mortgage Notice

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan.

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High-Cost Mortgages

- Requirement #2
 - A high-cost mortgage has the following product limitations and restrictions:
 - The loan may not have a balloon payment
 - The loan may not result in negative amortization
 - Advance payments are not permitted
 - The loan may not have a default interest rate
 - The loan may not have a prepayment penalty
 - Acceleration of the debt is only permitted in limited circumstances
 - The borrower(s) must undergo mandatory homeownership counseling

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Higher Priced Mortgage Loans

Underwriting Requirements

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Higher Priced Mortgage Loans

- Scope and Coverage

- A closed-end consumer credit transaction secured by the borrower's principal dwelling with an APR that exceeds the APOR (Average Prime Offer Rate) by:
 - 1.50% or more for non-jumbo 1st lien loans
 - 2.50% or more for jumbo 1st lien loans
 - 3.50% or more for subordinate lien loans

Jumbo loan limit for 2024
is \$766,550

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Higher Priced Mortgage Loans

- Requirement #1
 - The credit union must establish an escrow account for property taxes and hazard insurance premiums for a higher priced mortgage loan secured by a 1st lien
 - The escrow account may only be cancelled upon the earlier of:
 - 5 years following consummation of the transaction; or
 - Termination of the underlying debt obligation

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Higher Priced Mortgage Loans

- Small Creditor Exemption
 - A small creditor operating in a rural and/or underserved area is exempt from the requirement to establish an escrow account in connection with a 1st lien higher priced mortgage loan
 - To qualify for this exemption, the small creditor need only originate one covered transaction in a rural and/or underserved area during the preceding calendar year

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Higher Priced Mortgage Loans

- Small Creditor
 - During the preceding calendar year, the credit union and its affiliates together originated 2,000 or fewer covered transactions secured by a 1st lien
 - Excludes loans retained in the credit union's portfolio
 - At the end of the preceding calendar year, the credit union together with its affiliates had total assets of less than \$2.64 billion

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Higher Priced Mortgage Loans

- Requirement #2
 - The credit union must obtain a written appraisal of the subject property performed by a certified or licensed appraiser who conducts a physical inspection of the property
 - Exceptions when the use of an alternative method of valuation is permissible:
 - The higher priced mortgage loan also meets the definition of a qualified mortgage
 - An extension of credit equal to or less than \$32,400
 - A transaction secured by a mobile home, boat or trailer
 - A construction loan
 - A bridge loan with a term of 12 months or less
 - A reverse mortgage

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Higher Priced Mortgage Loans

- Requirement #3
 - The credit union must obtain two written appraisals of the subject property for a higher priced mortgage loan secured by a flipped property

Flipped Property	
The seller acquired the property 90 or fewer days prior to the date of the borrower's agreement to acquire the property and the borrower's acquisition price exceeds the seller's acquisition price by more than 10%	The seller acquired the property 91 to 180 days prior to the date of the borrower's agreement to acquire the property and the borrower's acquisition price exceeds the seller's acquisition price by more than 20%

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Higher Priced Mortgage Loans

- Requirement #3
 - Flipped Property Appraisal Rules
 - The two appraisals may not be performed by the same appraiser
 - One of the two appraisals must include an analysis of:
 - Changes in market conditions and any improvements made to the property between the time the seller acquired the property and the date the borrower agreed to acquire the property
 - The credit union may only charge the consumer for one of the appraisals

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Appraisals

Underwriting Requirements

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Appraisals

- The credit union must provide the applicant with a copy of any valuation developed in connection with his/her application for credit to be secured by a first lien on a dwelling:
 - Promptly upon completion, but not later than 3 business days prior to consummation or account opening

This requirement applies regardless of whether credit is extended, or the application is denied or withdrawn

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Appraisals

- The term valuation includes:
 - An appraisal
 - A document prepared by the credit union that assigns value to the property
 - A report generated from an automated valuation model
 - A broker price opinion

The term valuation does not include a tax assessed valuation

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Appraisals

- The valuation copy may be delivered at the time of consummation or account opening if a waiver of the advance delivery requirement was obtained from the applicant at least 3 business days prior to consummation or account opening

100

Appraisals

- The following transactions require an appraisal performed by a state-certified appraiser:
 - A residential real estate transaction (secured by a 1-4 family residential property) that is complex and \$400,000 or more of the transaction is not insured by or guaranteed by a U.S. government agency

A state-certified appraiser is an appraiser who has satisfied the requirements for certification in accordance with the Appraiser Qualifications Board

A complex transaction is a transaction in which the property to be appraised, the form of ownership of the property, or market conditions are considered atypical

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Appraisals

- The following transactions require an appraisal performed by either a state-certified or state-licensed appraiser
 - A residential real estate transaction (secured by a 1-4 family residential property) that is not complex and \$400,000 or more of the transaction is not insured by or guaranteed by a U.S. government agency

A state-licensed appraiser is an appraiser who has satisfied the recommended requirements for licensing in a state or territory

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Appraisals

- All appraisals must at a minimum:
 - Conform to generally accepted appraisal standards
 - Be in writing and contain sufficient information and analysis to support the credit union's decision to engage in the transaction
 - Be performed by a licensed or certified appraiser

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Appraisals

- The appraiser must be engaged directly by the credit union (or its authorized agent)
- The appraiser must have no direct or indirect interest, financial or otherwise, in the subject property or transaction

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Appraisals

- For residential real estate transactions in which an appraisal is not required, the credit union must require, at a minimum, a written estimate of market value. The written estimate of market value must be performed by an individual that:
 - Is independent of the loan production and collection processes at the credit union;
 - Has no direct, indirect or prospective interest (financial or otherwise) in the subject property or transaction; and
 - Is qualified and experienced to perform the written estimate of market value

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Appraisals

- Exemptions
 - The credit union may waive the appraisal/written estimate of market value requirement in connection with the following residential real estate transactions:
 - The transaction involves an existing extension of credit, provided that –
 - No new money is advanced, or
 - There has been no obvious or material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's collateral protection
 - The lien is being taken against the real estate out of an abundance of caution
 - The lien is being taken against the real estate for a purpose other than the real estate's value

106

Appraisals

- Exemptions
 - The credit union may waive the appraisal/written estimate of market value requirement in connection with the following residential real estate transactions:
 - The transaction is a real estate lease
 - The transaction involves a pool of real estate loans (including mortgage-backed securities)
 - The transaction qualifies for sale to a U.S. government agency, or a U.S. government sponsored agency

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Appraisals

- Exemptions
 - The credit union may waive the appraisal/written estimate of market value requirement in connection with the following residential real estate transactions:
 - The transaction is secured by property located in a rural area, so long as –
 - The loan amount is less than \$400,000, and
 - Within 3 days of delivery of the Closing Disclosure, the credit union has contacted at least 3 state-certified or state-licensed appraisers and none were available within 5 business days beyond customary and reasonable fee and timeliness standards for comparable appraisal assignments

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Flood Insurance

Underwriting Requirements

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Flood Insurance

- The credit union shall not make, increase, extend or renew any designated loan unless the building or mobile home and any personal property securing the loan are covered by flood insurance for the term of the loan
- The amount of flood insurance must be equal to the lesser of:
 - The outstanding principal balance of the loan; or
 - The maximum amount of coverage available under the National Flood Insurance Act

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Flood Insurance

- The mandatory flood insurance requirement does not apply to:
 - Loans with an original principal balance of \$5,000 or less and a repayment term of one year or less
 - Any structure that is detached from the primary residential structure and does not in and of itself serve as a residence

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Flood Insurance

- Standard Flood Hazard Determination Form
 - The credit union must use FEMA's standard form to determine whether the property is located in a special flood hazard area
 - The credit union must retain a copy of the form for the entire period of time that it owns the loan

DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
STANDARD FLOOD HAZARD DETERMINATION FORM (SFHDF)

OMB No. 1680-0040
Expires May 20, 2015

SECTION I - LOAN INFORMATION

1. LENDER NAME AND ADDRESS: []
2. LENDER ID NO.: [] 3. LOAN IDENTIFIER: [] 4. AMOUNT OF FLOOD INSURANCE REQUIRED: []

SECTION II - NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY ASSOCIATION

5. NFIP Community Name: [] 6. State: [] 7. NFIP Community Number: []

SECTION III - NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING INSURABLE HOME

8. FEDERAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING INSURABLE HOME: []
9. FEDERAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING INSURABLE HOME: []

SECTION IV - FEDERAL FLOOD INSURANCE AVAILABILITY CHECK AT THE TIME OF APPLICATION

10. FEDERAL FLOOD INSURANCE AVAILABILITY CHECK AT THE TIME OF APPLICATION: []

SECTION V - DETERMINATION

11. DETERMINATION: []

SECTION VI - COMMENTS

12. COMMENTS: []

SECTION VII - PREPARER'S INFORMATION

13. NAME, ADDRESS, TELEPHONE NUMBER OF OTHER THAN LENDER: [] 14. DATE OF DETERMINATION: []

PREVIOUS EDITIONS ARE OBSOLETE

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Flood Insurance

- Notice of Special Flood Hazards
 - The notice must be provided to the borrower within a reasonable amount of time prior to completion of the transaction
 - The credit union must retain evidence of the borrower's receipt of the notice for the entire period of time that it owns the loan

**Notice of Special Flood Hazards
and Availability of Federal Disaster Relief Assistance**

Name	Borrower's Name(s)
Location	Property Address
Mailing Address	

We are giving you this notice to inform you that:
The building or mobile home securing the loan for which you have applied is or will be located in an area with special flood hazards.
The area has been identified by the Director of the Federal Emergency Management Agency (FEMA) as a special flood hazard area using Flood Hazard Insurance Rate Maps or Flood Hazard Boundary Maps or the Community Floodplain.

This area has at least a one percent (1%) chance of a flood equal to or exceeding the base flood elevation (BFE) peak flood in any given year, including the 1% annual flood peak flow rate or 100-year return period mean high water (MHW) elevation.

Federal flood insurance is available and is required to insure the Director of FEMA to receive the administration of under the program. Federal flood insurance is available in a special flood hazard area if you intend to insure your property with a policy issued by a member of the National Flood Insurance Program (NFIP).

The community in which the property securing the loan is located participates in the National Flood Insurance Program (NFIP). Federal flood insurance coverage under the NFIP may be purchased through an insurance agent who will obtain the policy either directly through the NFIP or through participating agents that participate in the NFIP. Flood insurance rates may be available for purchase through participating agents.

As a condition, flood insurance purchased must cover the lesser of:
(1) The maximum amount of coverage allowed for the type of property under the NFIP.
(2) The maximum amount of coverage allowed for the special use of the property securing the loan which exceeds the value of the special use of the property.

Federal disaster relief assistance (available in the form of a traditional loan) may be available for damages incurred in excess of the base flood elevation of your community (including the NFIP) for residential and NFIP commercial.

Flood insurance coverage under the NFIP is not available for the property securing the loan because the community in which the property is located does not participate in the NFIP. In addition, the community in which the property is located is not a community that is participating in the NFIP. Flood insurance coverage under the NFIP is not available for the property securing the loan because the community in which the property is located is not a community that is participating in the NFIP. Flood insurance coverage under the NFIP is not available for the property securing the loan because the community in which the property is located is not a community that is participating in the NFIP.

Automatically Generated by System

Responsible agents for federal, all government, and flood insurance policies, including certain requirements on a basis of filing of the forms related to the loan and the loan documents. Federal disaster relief assistance is available.

Borrower's Signature _____	Date _____	Borrower's Signature _____	Date _____
Borrower's Signature _____	Date _____	Borrower's Signature _____	Date _____
		Lender's Signature _____	Date _____

Flood Hazard Insurance (NFIP) - Borrower's Form (NFIP) - 1/1/11

113

Flood Insurance

- Escrow
 - Generally, the credit union must escrow for flood insurance premiums in connection with all designated loans
 - Exceptions:
 - Transaction-Level Exceptions
 - Small Lender Exception

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Flood Insurance

- Transaction-Level Exceptions:
 - The loan is primarily for a business, commercial, or agricultural purpose
 - The loan is secured by a subordinate lien and flood insurance is already provided in connection with the first lien loan
 - Flood insurance is provided by a condominium, cooperative, or homeowner's association
 - HELOCs
 - The loan is 90 days or more past due
 - The loan term is 12 months or less
- Small Lender Exception:
 - Had total assets of less than \$1 billion as of December 31st of either of the two preceding calendar years, and
 - On or before July 6, 2012, the credit union –
 - Was not required under federal or state law to escrow
 - Did not have a policy of consistently and uniformly escrowing

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Flood Insurance

- Force Placement of Flood Insurance
 - If the credit union determines at some point during the life of the loan that the borrower's flood insurance policy has lapsed or no longer offers adequate coverage, it must notify the borrower
 - If the borrower fails to obtain adequate flood insurance on their own within 45 days, the credit union may assess against the borrower all fees and/or charges paid by the credit union in connection with a force-placed flood insurance policy

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Flood Insurance

- Termination of Force-Placed Flood Insurance
 - Within 30 days of receipt of evidence that the borrower has purchased adequate flood insurance coverage, the credit union must:
 - Terminate the force-placed flood insurance policy; and
 - Refund to the borrower any fees and/or premiums paid by the borrower in connection with the force-placed flood insurance policy during any period of time in which both policies were in effect

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Adverse Action

Underwriting Requirements

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Adverse Action

- Scope and Coverage
 - A refusal to grant new credit requested
 - An unfavorable change in the terms of an existing account
 - A refusal to grant a requested increase in the limit of an existing account
- Delivery
 - Within 30 days of taking adverse action on:
 - A completed application
 - An incomplete application
 - An existing account
 - Within 90 days of extending a counteroffer that is not accepted by the applicant

Adverse Action

- When an applicant expressly withdraws his/her credit application, an Adverse Action Notice need not be provided
- Notice of Incompleteness (optional)
 - In lieu of providing an Adverse Action Notice in connection with an incomplete application, the credit union may provide written notice:
 - Specifying the additional information needed to make the application complete
 - Designating a reasonable period of time for submission of the additional information
 - Informing the applicant that failure to provide the additional information will result in no further consideration being given to the application

Adverse Action

- Adverse Action Notice Content Requirements:
 - Statement of the action taken
 - Specific reason(s) for the action taken
 - The name and address of the credit union
 - The name and address of the federal agency that administers the credit union's compliance with the requirements of the Equal Credit Opportunity Act (ECOA)
 - A statement of the provisions of Section 701(a) of the ECOA

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Adverse Action

- CFPB Circular
 - May 2022

cfpb Consumer Financial Protection Bureau
1700 G Street NW, Washington, D.C. 20552
Circular 2022-03
May 26, 2022

Consumer Financial Protection Circular 2022-03
Adverse action notification requirements in connection with credit decisions based on complex algorithms
May 26, 2022

Question presented
When creditors make credit decisions based on complex algorithms that prevent creditors from accurately identifying the specific reasons for denying credit or taking other adverse actions, do those creditors need to comply with the Equal Credit Opportunity Act's requirement to provide a statement of specific reasons to applicants against whom adverse action is taken?

Response
Yes. ECOA and Regulation B require creditors to provide statements of specific reasons to applicants against whom adverse actions is taken. Some creditors may make credit decisions based on certain complex algorithms, sometimes referred to as "black-box" models, that make it difficult—if not impossible—to accurately identify the specific reasons for denying credit or taking other adverse actions.¹ The adverse action notice requirement of ECOA and Regulation B, however, apply equally to all credit decisions, regardless of the technology used to make them. Thus, ECOA and Regulation B do not permit creditors to use complex algorithms when doing so means they cannot provide the specific and accurate reasons for adverse actions.

Analysis
ECOA makes it unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction, on the basis of race, color, religion, national origin, sex or

¹ While some creditors may rely upon various post hoc explanation methods, such as explanation approximate models and random forest models, to reduce the opacity of their operations, which may comply with the investigation methods.

Consumer Financial Protection Circulars are policy statements advising parties with authority from the Bureau's Consumer Financial

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Adverse Action

- Fair Credit Reporting Act / Regulation V
 - If adverse action is taken, in whole or in part, based on information contained in the applicant's consumer credit report, the credit union's Adverse Action Notice must contain additional information as required by the Fair Credit Reporting Act

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Adverse Action

- Fair Credit Reporting Act / Regulation V
 - Content Requirements:
 - The applicant's numerical credit score
 - The date upon which the score was created
 - A range of possible scores based on the credit scoring model used
 - Up to four factors that adversely affected the applicant's credit score
 - The name, address, and telephone number of the consumer reporting agency that provided the report
 - A statement that the consumer reporting agency did not make the decision to take adverse action and is unable to provide specific reasons as to why the adverse action was taken
 - A statement that the applicant is entitled to a free copy of his/her report within 60 days
 - A statement that the applicant may dispute the accuracy or completeness of the information contained in his/her consumer report

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Closing Requirements

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Closing Requirements

- Closing Disclosure
- Notice of Right to Cancel
- Private Mortgage Insurance

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Closing Disclosure

Closing Requirements

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Closing Disclosure

- Scope and Coverage
 - All closed-end consumer credit transactions secured by real property or a cooperative unit
 - Excludes:
 - HELOCs
 - Mortgages secured by a mobile home or dwelling that is not attached to real property
- Delivery
 - Must be received not later than 3 business days prior to closing

Closing Disclosure		This form is a statement of Real Estate terms and closing costs. Complete this document with your Loan Estimate.	
Closing Information	Transaction Information	Loan Information	
Closing Date 8/15/2013	Borrower Richard Jones and Mary Stone	Loan Type 30-year	
Closing Time 8:15 AM	Address 123 Main Street, Anytown, UT 12345	Payment Method Payoff	
Settlement Agent 123 Main St., Anytown, UT 12345	Agent Richard Jones and Mary Stone	Product Fixed Rate	
File # 12-3456	Property 123 Main Street, Anytown, UT 12345	Loan Type M Conventional 30YR	
Property 123 Main Street, Anytown, UT 12345	Loan # 123456789	Rate 3.75%	
Loan # 123456789	Lender First Bank	HELOC NO	
Loan Terms Can this amount increase after closing?			
Loan Amount	\$162,000	NO	
Interest Rate	3.75%	NO	
Monthly Principal & Interest	\$761.78	NO	
See Payment Schedule below for your Estimated Total Monthly Payment.			
Prepayment Penalty Does the loan have these features?			
	YES	No	As high as \$1,200 if you pay off the loan during the first 2 years.
Ballance Payment	NO		
Projected Payments			
Payment Calculation	Years 1-7	Years 8-30	
Principal & Interest	\$761.78	\$761.78	
Mortgage Insurance	* \$2.35	* —	
Estimated Escrow Amount (see escrow note on page 4 for details)	* \$96.65	* \$96.65	
Estimated Total Monthly Payment	\$1,050.26	\$967.91	
Estimated Taxes, Insurance & Assessments This estimate includes: Is escrow?			
\$356.13	<input checked="" type="checkbox"/> Property Taxes	YES	
	<input checked="" type="checkbox"/> Homeowner's Insurance	YES	
	<input checked="" type="checkbox"/> HOA/Condo/Planned Community Association Dues	NO	
	<input checked="" type="checkbox"/> Other (see escrow note on page 4 for details. You must pay for other property cost separately)		
Costs at Closing			
Closing Costs	\$9,712.10	Includes \$4,000.00 in Loan Costs + \$5,712.10 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 4 for details.	

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Closing Disclosure

- Definition of Business Day
 - All calendar days except Sundays and legal public holidays

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Closing Disclosure

- Receipt of the Closing Disclosure

Physical Delivery	Delivery by Mail	Electronic Delivery
Upon physical delivery to the borrower	3 days after it is placed in the mail	3 days after it is transmitted, unless the credit union can confirm earlier receipt

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Closing Disclosure

- If the credit union issues a revised Closing Disclosure for any of the following reasons, a new 3-day waiting period prior to closing is required:
 - A change to the loan's APR outside of the acceptable tolerance levels
 - 1/8 of 1% for regular transactions
 - 1/4 of 1% for irregular transactions
 - A change to the loan product
 - The addition of a prepayment penalty to the loan

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Closing Disclosure

- If the credit union issues a revised Closing Disclosure for any other reason, it may be done at closing so long as the borrower was given an opportunity to inspect the revised disclosure on the business day before closing

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Closing Disclosure

- Revised Closing Disclosure Post-Closing
 - Change to Settlement Charges
 - Credit union is notified of the change within 30 days of consummation
 - Credit union provides revised Closing Disclosure within 30 days
 - Clerical Errors
 - Credit union provides revised Closing Disclosure within 60 days of consummation

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Closing Disclosure

- Itemization of closing costs must include both:
 - A general description of the fee
 - Appraisal fee
 - The party to whom final payment is made
 - ABC Appraisal Company

Closing Cost Details		Borrower
Loan Costs		At Closing
A. Origination Charges		
01	% of Loan Amount (Points)	
02		
03		
04		
05		
06		
07		
08		
B. Services Borrower Did Not Shop For		
01		
02		
03		
04		
05		
06		
07		
08		
09		
10		
C. Services Borrower Did Shop For		
01		
02		
03		
04		

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Notice of Right to Cancel

Closing Requirements

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Notice of Right to Cancel

- Scope and Coverage
 - A loan secured by a principal dwelling
 - Exception
 - Purchase money transactions
- Delivery
 - At closing

NOTICE OF RIGHT TO CANCEL

____/____/____
To: _____

Your Right to Cancel:

You are entering into a transaction that will result in a mortgage on your home. You have a legal right under federal law to cancel this transaction, without cost, within three (3) business days from achievement of the following events (your date):

1. The date of the transaction, which is _____, 20____, or
2. The date you received your Trust in Lending disclosures; or
3. The date you received this notice of your right to cancel.

If you cancel this transaction, the mortgage is also cancelled. Within twenty (20) calendar days after we receive your notice, we must take the steps necessary to refund the full amount of the mortgage on your home has been cancelled, and we must return to you any money or property you have given to us in its original state in connection with this transaction.

You may keep any money or property we have given you until we have done the things mentioned above. But you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not have possession of the money or property within twenty (20) calendar days of your offer, you may keep it without further obligation.

Very truly,

Signature

Print Name

RES313
Notice of Right to Cancel
© 2013

© 2013

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Notice of Right to Cancel

- A consumer must exercise the right to cancel not later than midnight of the third business day following the later of:
 - Delivery of the Notice of Right to Cancel
 - Delivery of all material disclosures
 - Closing

For purposes of the right to cancel, a business day includes all calendar days except Sundays and legal public holidays

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Notice of Right to Cancel

- A consumer must notify the credit union in writing of their intent to exercise the right to cancel
- Cancellation by one consumer constitutes cancellation by all consumers

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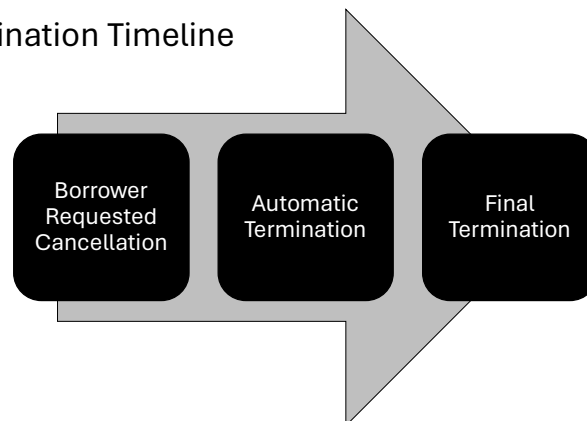
Private Mortgage Insurance

Closing Requirements

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Private Mortgage Insurance

- Cancellation/Termination Timeline



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Private Mortgage Insurance

- Borrower Requested Cancellation
 - PMI may be cancelled upon the borrower's written request if all the following are true:
 - The borrower is current
 - The borrower has shown a good payment history
 - The borrower has shown to the credit union's satisfaction that –
 - The property has not declined below its original value
 - The property is free of any subordinate liens
 - The loan balance has reached 80% of the original property value
 - Based on the loan's amortization schedule or actual payments

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Private Mortgage Insurance

- Borrower-Requested Cancellation
 - If the credit union denies the borrower's request to cancel his/her PMI, it must provide written notice to the borrower within 30 days identifying the grounds upon which it relied in denying the request

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Private Mortgage Insurance

- Automatic Termination
 - PMI must be cancelled when all of the following conditions are met:
 - The loan balance is scheduled to reach 78% of the original property value
 - The borrower is current on the loan

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Private Mortgage Insurance

- Final Termination
 - If PMI has not been cancelled as a result of either borrower-requested cancellation or automatic termination, it must be removed not later than the 1st day of the month following the loan reaching the mid-point of its amortization schedule

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Private Mortgage Insurance

- Upon cancellation or termination of PMI, notice must be provided within 30 days that states:
 - PMI has been terminated
 - No further premiums shall be due in connection with the PMI

Private Mortgage Insurance

- Initial Disclosure
 - Delivery
 - At closing



Private Mortgage Insurance

- Annual Disclosure
 - Delivery
 - Annually

Borrower Name
Borrower Address
City, State, Zip Code

Date:

Loan Number:

Property Address: Street Address
City, State, Zip Code

PRIVATE MORTGAGE INSURANCE DISCLOSURE

Private Mortgage Insurance: Your mortgage loan requires Private Mortgage Insurance (PMI). PMI protects lenders and others against financial loss when borrowers default. Charges for this insurance are added to your loan payments. Under certain circumstances, federal law gives you the right to cancel PMI or requires that PMI automatically terminate. Cancellation or termination of PMI does not affect any obligation you may have to maintain other types of insurance.

Borrower Requested Cancellation of PMI: You have the right to request that PMI be canceled on or after either of these dates: (1) the date the principal balance of your loan is first scheduled to reach 80% of the original value of the property or (2) the date the principal balance actually reaches 80% of the original value of the property. PMI will only be canceled on these dates if (1) you submit a written request for cancellation, (2) you have a good payment history, and (3) we receive, if requested and at your expense, evidence that the value of the property has not declined below its original value, and certification that there are no subordinate liens on the property. A good payment history means no payments 60 or more days past due within two years and no payments 30 or more days past due within one year of the cancellation date. Original value means the lesser of the contract sales price of the property or the appraised value of the property at the time the loan was closed.

Automatic Termination of PMI: If you are current on loan payments, PMI will automatically terminate on the date the principal balance of loan is first scheduled to reach 78% of the original value of the property. If you are not current on your payments as of that date, PMI will automatically terminate when you thereafter become current on your payments. In any event, PMI will not be required on your mortgage loan beyond the date that is the midpoint of the amortization period for the loan if you are current on your payments on that date.

To determine if you can cancel the PMI on your loan contact us at the address or telephone number listed below.

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Servicing Requirements

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Servicing Requirements

- Payment Processing
- Prohibition on Pyramiding
- Partial Payments
- Payoff Statements
- Mortgage Servicing Transfers

149

Servicing Requirements

- Escrow Accounts
- Error Resolution Procedures
- Requests for Information
- Force-Placed Hazard Insurance
- Loss Mitigation Rules

150

Payment Processing

Servicing Requirements

151

Payment Processing

- Scope and Coverage
 - Closed-end consumer credit transactions secured by the borrower's principal dwelling
- Requirements
 - A borrower's payment generally must be credited to their loan account as of the date of receipt
 - The credit union may specify reasonable requirements for making payments:
 - Payment cut-off times
 - Specifying a particular address to which payments must be delivered

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Prohibition on Pyramiding

Servicing Requirements

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Prohibition on Pyramiding

- Scope and Coverage
 - Consumer credit transactions secured by the borrower's principal dwelling
- Requirements
 - The credit union may not pyramid late fees

Pyramiding is the practice of charging a borrower a subsequent late fee based solely on his/her failure to pay a previously outstanding late fee

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Prohibition on Pyramiding

- Example
 - Loan with a 15-day grace period

Transaction Register				
Due Date	Amount Due	Amount Paid	Paid Date	Late Fee Assessed
4/1/2024	\$1,200	\$1,200	4/19/2024	\$15
5/1/2024	\$1,215	\$1,200	5/5/2024	\$15

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Partial Payments

Servicing Requirements

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Partial Payments

- Scope and Coverage
 - Closed-end consumer credit transactions secured by the borrower's principal dwelling
- Requirements
 - The credit union has options when it comes to handling partial payments
 - Credit the partial payment immediately to the loan account; or
 - Hold the partial payment in suspense until sufficient funds are received to make a full periodic payment

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Partial Payments

- For partial payments held in a suspense account, once sufficient funds are received to cover the periodic payment in its entirety, the full amount of the payment must be immediately credited to the loan account

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Payoff Statements

Servicing Requirements

159

Payoff Statements

- Scope and Coverage
 - Consumer credit transactions secured by the borrower's principal dwelling
- Requirements
 - The credit union must respond to a request for a payoff statement within a reasonable period of time; however, not later than 7 business days after receiving the request

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Mortgage Servicing Transfers

Servicing Requirements

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Mortgage Servicing Transfers

- Scope and Coverage
 - Upon the assignment, sale or transfer of the servicing of a mortgage loan
- Delivery
 - Separate notices
 - Transferor's notice must be sent not less than 15 days before the effective date of the transfer
 - Transferee's notice must be sent not less than 15 days after the effective date of the transfer
 - Combined notice
 - Must be sent not less than 15 days before the effective date of the transfer

NOTICE OF SERVICING TRANSFER

The servicing of your mortgage loan is being transferred, effective [Date]. This means that after this date, a new servicer will be collecting your mortgage loan payments from you. Nothing else about your mortgage loan will change.

[Name of present servicer] is now collecting your payments. [Name of present servicer] will stop accepting payments received from you after [Date].

[Name of new servicer] will collect your payments going forward. Your new servicer will start accepting payments received from you on [Date].

SEND ALL PAYMENTS DUE ON OR AFTER [DATE] TO [NAME OF NEW SERVICER] AT THE ADDRESS:
[NEW SERVICER ADDRESS]

If you have any questions for either your present servicer, [Name of present servicer] or your new servicer [Name of new servicer], about your mortgage loan or this transfer, please contact them using the information below:

Current Servicer:	New Servicer:
[Name of present servicer]	[Name of new servicer]
Individual or Department	Individual or Department
Telephone Number	Telephone Number
Address	Address

[Use this paragraph if appropriate, otherwise omit.] Important note about insurance: If you have mortgage life or disability insurance or any other type of optional insurance, the transfer of servicing rights may affect your insurance in the following way:

You should do the following to maintain coverage:

Under Federal law, during the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer, in or before its due date may not be treated by the new servicer as late, and a late fee may not be imposed on you.

[NAME OF PRESENT SERVICER]
Date
[and] (or)
[NAME OF NEW SERVICER]
Date

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Mortgage Servicing Transfers

- Payments sent to the transferor servicer within 60 days of the transfer date may not be treated as late and the payments shall be:
 - Forwarded to the transferee servicer on the borrower's behalf; or
 - Returned to the borrower with notification as to the proper payment recipient

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Escrow Accounts

Servicing Requirements

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Escrow Accounts

- Escrow Account Disclosures
- Timely Payments Out of Escrow
- Closing an Escrow Account
- Escrow Shortage
- Escrow Surplus
- Escrow Deficiency

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Escrow Account Disclosures

Escrow Accounts

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Escrow Account Disclosures

- Initial Escrow Account Statement
- Annual Escrow Account Statement
- Escrow Closing Notice

167

Initial Escrow Account Statement

Escrow Account Disclosures

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Initial Escrow Account Statement

- Scope and Coverage
 - For escrow accounts established in connection with a federally related mortgage loan
- Delivery
 - At closing or within 45 calendar days of closing

The form is titled "INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT" and includes fields for "Lender/Title Co. Name" and "Escrow Account No.". It contains two checkboxes: one for "The mortgage proceeds for the closing year will be 100% of which 100% will go into your escrow account" and another for "The first monthly mortgage payment for the closing year will be 100% of which 100% will go into your escrow account. The balance of your loan will be used to pay the principal and interest payments during the year". Below these is a table with columns: "Month/ Payment No.", "Payment to Escrow Acct", "Payment from Escrow Acct", "Description", and "Escrow Acct Balance". At the bottom, there are lines for "Lender Signature", "Escrow Agent Signature", "Date Signed", and "Title Signed".

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Annual Escrow Account Statement

Escrow Account Disclosures

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Annual Escrow Account Statement

- Scope and Coverage
 - For escrow accounts established in connection with a federally related mortgage loan
- Delivery
 - Within 30 days of completion of the escrow account computation year

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT —
ACCOUNT HISTORY

THIS IS A STATEMENT OF ACTUAL ACTIVITY IN YOUR ESCROW ACCOUNT FROM _____ THROUGH _____. COMPARE IT TO THE ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT — PROJECTIONS FOR COMING YEAR — WHICH WAS SENT TO YOU LAST YEAR ON _____ (ANOTHER COPY IS ENCLOSED).

[INSTRUCTIONS TO PREPARER: Delete material in brackets] If initial escrow account disclosure statement or annual disclosure payment history was not delivered in previous year. Also, if the servicer elects to provide a side-by-side comparison of last year's projection to the account history, add the "COMPARE... ENCLOSED." This instruction paragraph should not be included in the form.]

Your monthly mortgage payment for the past year was \$ _____ of which \$ _____ was for principal and interest and \$ _____ went into your escrow account.

Month	Payments to Escrow Account	Payments from Escrow Account	Description	Escrow Account Balance
Starting Balance \$ _____				

[A filed-out example follows.]

An asterisk (*) indicates a difference from a previous estimate either in the date or the amount.

Last year, we anticipated that payments from your account would be made during this period equaling \$ _____. Under federal law, your lowest monthly balance should not have exceeded \$ _____ unless your mortgage contract or state law specifies a lower amount. (Your mortgage contract and state law are silent on this issue.) (Under your mortgage contract and state law, your lowest monthly balance should not have exceeded \$ _____.)

[INSTRUCTION TO PREPARER: The servicer is to use the appropriate sentence above describing the mortgage contract. This instruction paragraph should not appear in the form.]

Your actual lowest monthly balance was greater than \$ _____. The items with an asterisk on your Account History may explain this. If you want a further explanation, please call our toll-free number.

[INSTRUCTIONS TO PREPARER: The servicer is to use the paragraph above if the lowest month-end balance exceeds either the federal or the contract/state law limit. Put the lower of the two in the blank. This instruction paragraph should not appear in the form.]

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Escrow Closing Notice

Escrow Account Disclosures

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Escrow Closing Notice

- Scope and Coverage
 - Closed-end consumer credit transactions secured by a first lien on real property or a dwelling
- Delivery
 - Borrower Initiated Cancellation
 - Not later than 3 business days before the escrow account is closed
 - Credit Union Initiated Cancellation
 - Not later than 30 business days before the escrow account is closed

Escrow Closing Notice

BORROWER	ISSUE DATE
MAILING ADDRESS	LENDER
	ACCOUNT #/IDEN #
PROPERTY ADDRESS	PHONE

As of _____ (date) _____, you will no longer have an escrow account (also called an "impound" or "trust" account) because

you asked us to close it.

we are closing it.

After this date, you must directly pay your property costs, such as taxes and homeowner's insurance, possibly in one or two large payments a year.

Cost to You	
Escrow Closing Fee	(dollar amount)
<small>For closing your escrow account</small>	

In the future,

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, we 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 we buy on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Call _____ (phone number) _____ with any questions about the closing of your escrow account.

We do not offer you the option of keeping the escrow account on your loan.

Contact us at _____ (phone number) _____ by _____ (date) _____ if you want to keep the escrow account on your loan.

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Timely Payments Out of Escrow

Escrow Accounts

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Timely Payments Out of Escrow

- The credit union must make payments out of an escrow account in a timely manner

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Closing an Escrow Account

Escrow Accounts

176

Closing an Escrow Account

- Options for Funds Remaining in the Escrow Account

If the existing mortgage loan is being paid off:	If the existing mortgage loan is being refinanced:
<ul style="list-style-type: none">• Net any remaining escrow account balance against the outstanding balance of the loan and have the borrower pay the difference; or• Refund any remaining escrow account balance within 20 days	<ul style="list-style-type: none">• Use any remaining escrow account balance to fund the new escrow account

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Escrow Shortage

Escrow Accounts

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Escrow Shortage

- The amount by which the escrow account balance falls short of the target balance

Shortage of less than one month's escrow account payment:	Shortage of greater than one month's escrow account payment:
<ul style="list-style-type: none">• Allow the shortage to exist• Require the borrower to pay the shortage within 30 days• Require the borrower to pay the shortage in equal installments over a 12-month period	<ul style="list-style-type: none">• Allow the shortage to exist• Require the borrower to pay the shortage in equal installments over a 12-month period

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Escrow Surplus

Escrow Accounts

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Escrow Surplus

- The credit union must refund any surplus of greater than \$50 within 30 days

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Escrow Deficiency

Escrow Accounts

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Escrow Deficiency

- The amount of any actual negative balance in the escrow account

Deficiency of less than one month's escrow account payment:	Deficiency of greater than one month's escrow account payment:
<ul style="list-style-type: none">• Allow the deficiency to exist• Require the borrower to pay the deficiency within 30 days• Require the borrower to pay the deficiency in 2 or more equal payments	<ul style="list-style-type: none">• Allow the deficiency to exist• Require the borrower to pay the deficiency in 2 or more equal payments

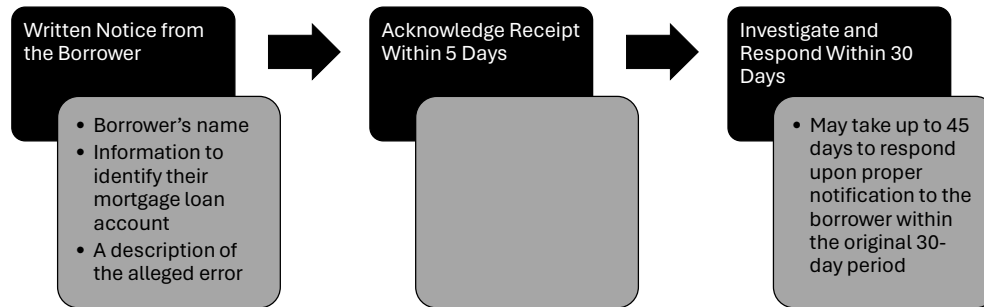
183

Error Resolution Procedures

Servicing Requirements

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Error Resolution Procedures



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Error Resolution Procedures

- The credit union need not investigate a notice of error if it is:
 - Duplicative
 - Overbroad
 - Received more than one year after –
 - The loan was transferred to a different servicer, or
 - The loan was paid in full

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Error Resolution Procedures

- The credit union cannot charge the borrower a fee or require them to make a payment as a condition of responding to the error notice
- For 60 days following receipt of an error notice, the credit union may not furnish negative information to a consumer reporting agency regarding any payment that is the subject of that error notice

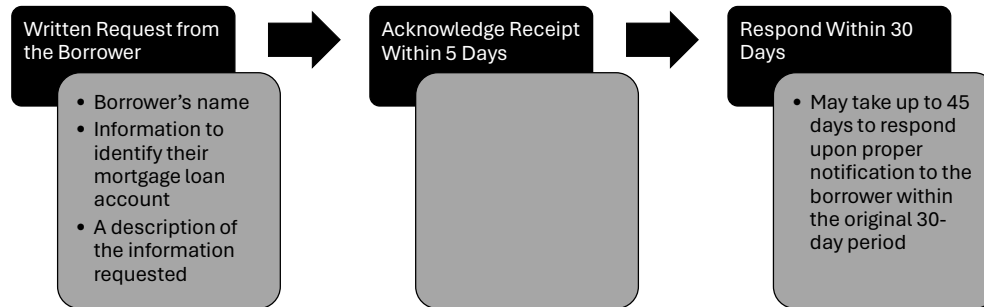
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Requests for Information

Servicing Requirements

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Requests for Information



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Requests for Information

- The credit union need not respond to a request for information if it is:
 - Duplicative
 - Overbroad
 - Untimely
 - For confidential or privileged information

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Requests for Information

- The credit union cannot charge the borrower a fee or require them to make a payment as a condition of responding to the information request

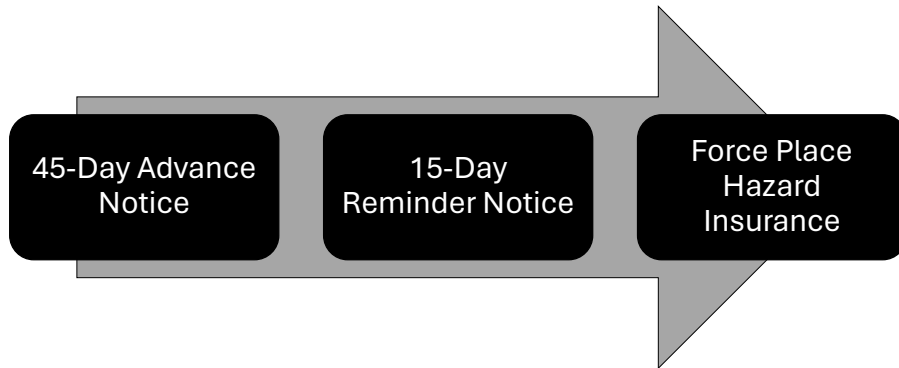
191

Force-Placed Hazard Insurance

Servicing Requirements

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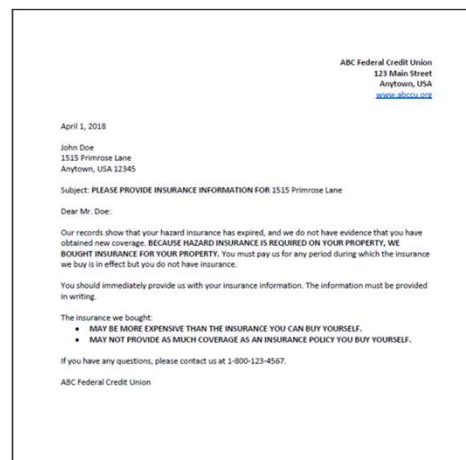
Force-Placed Hazard Insurance



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Force-Placed Hazard Insurance

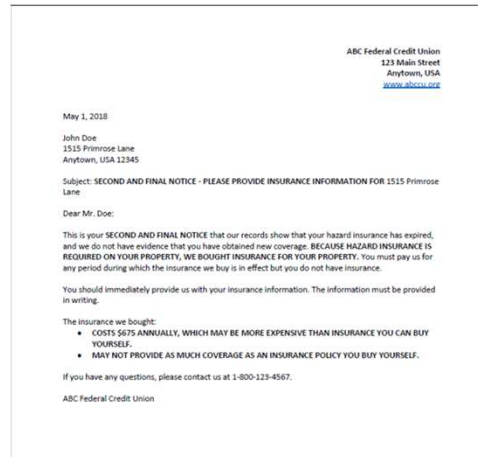
- 45-Day Advance Notice
 - Delivery
 - At least 45 days before the borrower is assessed a fee in connection with a force-placed hazard insurance policy



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Force-Placed Hazard Insurance

- 15-Day Reminder Notice
 - Delivery
 - At least 15 days before the borrower is assessed a fee in connection with a force-placed hazard insurance policy



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Force-Placed Hazard Insurance

- Cancellation of Force-Placed Hazard Insurance
 - Within 15 days of receiving evidence that the borrower has adequate hazard insurance in place, the credit union must:
 - Cancel the force-placed hazard insurance policy; and
 - Refund any fees and/or premiums paid by the borrower in connection with the force-placed hazard insurance policy for any period of time in which both policies were in effect

196

Loss Mitigation Rules

Servicing Requirements

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Loss Mitigation Rules

- Scope and Coverage
 - Mortgages secured by the borrower's primary residence
- Requirements
 - The credit union may not proceed to foreclosure until the borrower is at least 120 days delinquent


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Fair Lending Considerations



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Fair Lending Considerations

- Equal Credit Opportunity Act
 - Fair Housing Act
- 

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Equal Credit Opportunity Act

Fair Lending Considerations

201

Equal Credit Opportunity Act

- Scope and Coverage
- Protected Classifications
- Recognized Forms of Discrimination

202

Scope and Coverage

Equal Credit Opportunity Act

203

Scope and Coverage

- The Equal Credit Opportunity Act prohibits discrimination in all aspects of a credit transaction, including but not limited to:
 - Advertising
 - Application
 - Underwriting
 - Closing
 - Servicing
 - Communicating
 - Collecting

204

Protected Classifications

Equal Credit Opportunity Act

205

Protected Classifications

Age	Color	Gender
Marital Status	National Origin	Race
Religion	The applicant's exercise of a right under the Consumer Credit Protection Act	The applicant's receipt of public assistance income

206

Protected Classifications

- Age
 - The credit union cannot consider the applicant's age in its underwriting decision
 - Exceptions:
 - The credit union can deny a minor based on his/her lack of legal capacity to contract
 - The credit union can offer loan terms that favor the elderly (62 years of age and older)

207

Protected Classifications

- Marital Status
 - In connection with secured credit, the applicant must provide his/her marital status
 - The inquiry is limited to:
 - Married
 - Unmarried (includes single, divorced and widowed)
 - Separated

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Protected Classifications

- Alimony, Child Support and Separate Maintenance
 - The applicant need not disclose receipt of these types of income unless he/she is relying on it as a basis for repayment
 - The credit union should only give the applicant credit for what he/she can properly document

209

Protected Classifications

- Childbearing
 - The credit union may not ask specific questions about future childbearing intentions
 - However, the credit union may inquire as to:
 - The number of dependents the applicant has
 - The age(s) of those dependents
 - The expenses associated with those dependents

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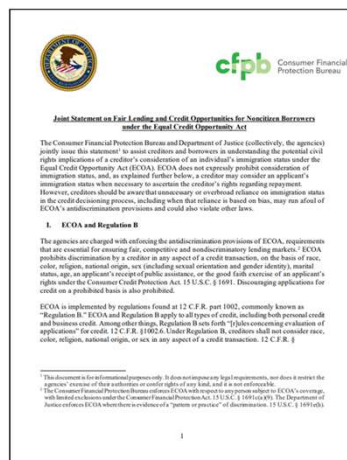
Protected Classifications

- National Origin
 - The credit union may not base its underwriting decision on the fact that the applicant was born outside of the United States
 - However, the credit union may consider:
 - The applicant's permanent residence status; and
 - The applicant's immigration status

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Protected Classifications

- CFPB/DOJ Joint Statement
 - Potential Discrimination Based on Immigration Status
 - October 2023



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Protected Classifications

- Race
 - The credit union may not inquire about the applicant's race
 - Exception:
 - When permitted to do so for purposes of collecting monitoring information under Regulation B (ECOA) or Regulation C (HMDA)

213

Protected Classifications

- Protected Income
 - The credit union may not discount protected income, which includes:
 - Income from a retirement source
 - Income from public assistance
 - Alimony, child support and/or separate maintenance

214

Recognized Forms of Discrimination

Equal Credit Opportunity Act

215

Recognized Forms of Discrimination

Overt Discrimination	Disparate Treatment	Disparate Impact
<ul style="list-style-type: none">When the creditor openly discriminates based on a protected classification	<ul style="list-style-type: none">When evidence exists to suggest that similarly situated applicants for credit were treated differently based on a protected classification	<ul style="list-style-type: none">When the creditor applies a policy uniformly to all credit applicants; however, it disproportionately excludes, or burdens certain applicants based on a protected classification

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Fair Housing Act

Fair Lending Considerations

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Fair Housing Act

- Protected Classifications
- Requirements
- Specifically Prohibited Activities
- Equal Housing Signage

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Protected Classifications

Fair Housing Act

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Protected Classifications

Color	Familial Status	Gender
Handicap	National Origin	Race
	Religion	

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Requirements

Fair Housing Act

221

Requirements

- The credit union may not, based on a protected classification:
 - Fail to provide information or services or provide different information or services regarding any aspect of the lending process
 - Treat a borrower differently in servicing a loan or invoking a default remedy
 - Use different standards to determine whether to extend credit
 - Use different standards to evaluate collateral
 - Vary the terms of credit offered
 - Discourage applications

222

Specifically Prohibited Activities

Fair Housing Act

223

Specifically Prohibited Activities

- Racial steering
- Redlining
- Portraying a racially exclusive image in advertising
- Discouraging applications from a member of a protected classification
- Placing excessively burdensome standards on a member of a protected classification
- Making members of a protected classification subscribe to more onerous terms or conditions
- Engaging in practices that discriminate against women

224

Equal Housing Signage

Fair Housing Act

225

Equal Housing Signage

- Must be clearly visible to the general public
- Must be posted in the lobby and in all other areas in which real estate loans are made



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Mortgage Lending Hot Topics

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Mortgage Lending Hot Topics

- Adjustable-Rate Mortgage Loans
- Appraisal Bias

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Adjustable-Rate Mortgage Loans

Mortgage Lending Hot Topics

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Adjustable-Rate Mortgage Loans

- Loan Estimate
- Application Disclosures
- Subsequent Disclosures

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Loan Estimate

Adjustable-Rate Mortgage Loans

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Loan Estimate

- Projected Payments
 - Up to 4 payment streams
 - Minimum
 - Payment will decrease as rapidly as possible after consummation
 - Stop at floor
 - Maximum
 - Payment will increase as rapidly as possible after consummation
 - Stop at ceiling

FICUS BANK 4521 Northern Boulevard • Sumner, NY 12149				
Loan Estimate		See this Loan Estimate to compare with your Closing Disclosure.		
Loan Amount	\$211,000	Can this amount increase after closing?	NO	
Interest Rate	4%	YES	+ Adjusts every 3 years starting in year 6 + Can go as high as 7% in year 6 + See AP Table on page 2 for details	
Monthly Principal & Interest	\$703.33	YES	+ Adjusts every 3 years starting in year 6 + Can go as high as \$2,000 in year 6 + Includes early interest rate principal until year 6 + See AP Table on page 2 for details	
Prepayment Penalty		NO		
Estimated Payments		NO		
Projected Payments				
	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33	\$1,028 min \$1,109 max	\$1,028 min \$1,048 max	\$1,028 min \$2,000 max
Mortgage Insurance	+ 100	+ 100	+ 100	+ 0
Estimated Escrow	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$812	\$1,137-\$1,468	\$1,137-\$1,713	\$1,028-\$2,068
Estimated Taxes & Assessments	\$633	This estimate includes: <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Assessments & Surcharges		
Estimated Closing Costs	\$8,791	Includes: \$3,851 in Loan Costs + \$2,940 in Other Costs - \$50 in Cash 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.		

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Loan Estimate

- Comparisons
 - Annual Percentage Rate (APR) Calculation
 - Blended APR
 - Initial Rate
 - Adjustable Rate
 - Use value of the index as of the date the rate is set
 - Add any applicable margin

Additional Information About This Loan

LENDER: First Bank MORTGAGE SERVICE: MORTGAGE SERVICE: MORTGAGE SERVICE:
 NMLS ID: 1234567 Loan Officer: Loan Officer: Loan Officer:
 NMLS ID: 12345 Name: Name: Name:
 NMLS ID: 12345 Phone: Phone: Phone:
 NMLS ID: 12345 Email: Email: Email:

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$54,944 Total you will have paid to principal, interest, mortgage insurance, and loan costs. 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 the appraisal. We will promptly give you a copy of any appraisal. ~~Both banks will close. You will pay for the appraisal.~~

Assumption If you sell or transfer the property to another person, we will allow under certain conditions, the person to assume this loan on the original terms. We will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than 15 days late, we will charge a late fee of 1% 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 to service your loan. If so, you will make your payments to us. We intend to transfer servicing of your loan.

Confirm Receipt By signing, you are certifying that you have received this form. You do not have to accept this loan because you have signed it.

Applicant Signature: _____ Date: _____ Co-Applicant Signature: _____ Date: _____
 Lender Signature: _____ Date: _____ NMLS ID: 1234567

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Application Disclosures

Adjustable-Rate Mortgage Loans

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Application Disclosures

- Variable Rate Disclosure
- Consumer Handbook on Adjustable-Rate Mortgages

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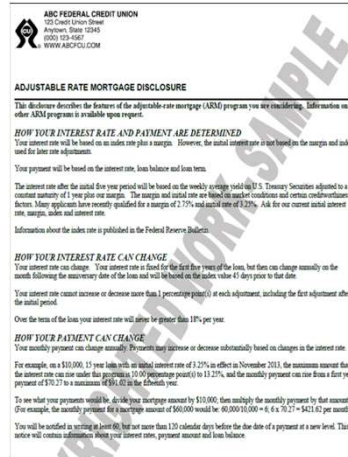
Variable Rate Disclosure

Application Disclosures

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Variable Rate Disclosure

- Scope and Coverage
 - Adjustable-rate mortgages with a term of greater than one year secured by the borrower's principal dwelling
- Delivery
 - At the time of application, before the borrower is charged a non-refundable application fee

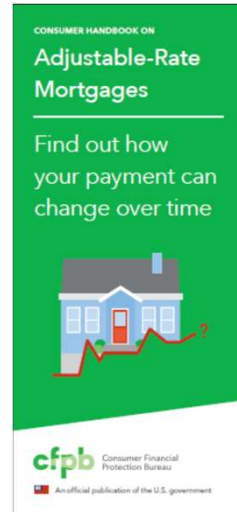


Consumer Handbook on Adjustable-Rate Mortgages

Application Disclosures

Consumer Handbook on Adjustable-Rate Mortgages

- Scope and Coverage
 - Adjustable-rate mortgages with a term of greater than one year secured by the borrower's principal dwelling
- Delivery
 - At application, before the borrower is charged a non-refundable application fee



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Subsequent Disclosures

Adjustable-Rate Mortgage Loans

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Subsequent Disclosures

- Initial Rate Adjustment Notice
- Subsequent Rate Adjustment Notice

241

Initial Rate Adjustment Notice

Subsequent Disclosures

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Initial Rate Adjustment Notice

- Scope and Coverage
 - Adjustable-rate mortgages with a term of greater than one year
- Delivery
 - Between 210 and 240 days before the first payment at the adjusted level is due

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 (frequency) Payment	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: 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.

Payment Details: (Note) (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.)

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Initial Rate Adjustment Notice

- If the new interest rate and payment are not known at the time of disclosure, the credit union should:
 - Use the value of the index reported within 15 business days of the date of disclosure; and
 - Clearly label the notice as an estimate

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Subsequent Rate Adjustment Notice

Subsequent Disclosures

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Subsequent Rate Adjustment Notice

- Scope and Coverage
 - Adjustable-rate mortgages with a term of greater than one year
- Delivery
 - Between 60 and 120 days before the first payment at the adjusted level is due

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 (frequency) Payment	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: 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.)

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Subsequent Rate Adjustment Notice

- If the new interest rate and payment are not known at the time of disclosure, the credit union should:
 - Use the value of the index reported within 15 business days of the date of disclosure; and
 - Clearly label the notice as an estimate

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Appraisal Bias

Mortgage Lending Hot Topics

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Appraisal Bias

- Proposed Guidance on Reconsiderations of Value
- Proposed AVM Quality Control Standards

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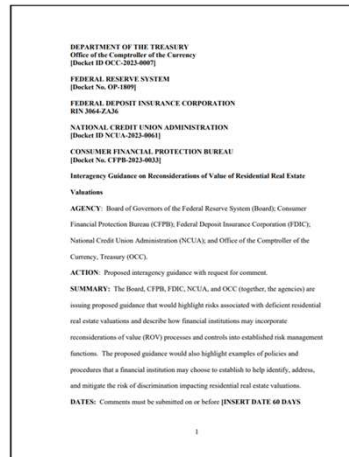
Proposed Guidance on Reconsiderations of Value

Appraisal Bias

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Proposed Guidance on Reconsiderations of Value

• June 2023



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Proposed Guidance on Reconsiderations of Value

- An ROV is a request to an appraiser to reassess his/her report based on deficiencies or other information that may negatively affect the value conclusion. This may include, but is not limited to:
 - An ask of the appraiser to consider other comparable properties not previously identified
 - Communication of unique property characteristics to the appraiser
 - Amending property information that appeared incorrectly in the appraisal report

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Proposed Guidance on Reconsiderations of Value

- The proposed guidance suggests the following considerations for credit unions as they develop their ROV policies, procedures, and control systems:
 - Make sure the credit union's procedures are not so complex that they have the effect of discouraging a member from requesting an ROV
 - Inform members how to properly raise their objection to a valuation
 - Have a clearly identified process as to who at the credit union will analyze/resolve ROVs, and
 - Establish consistency in resolving ROVs, including when a second appraisal is warranted and who will bear the cost

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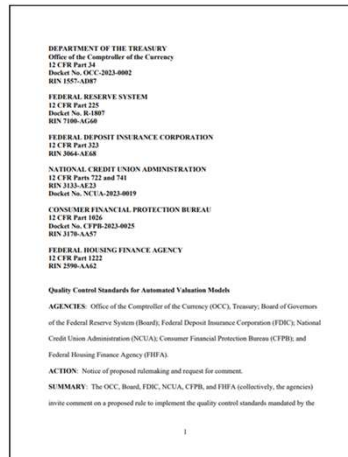
Proposed AVM Quality Control Standards

Appraisal Bias

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Proposed Rule on AVM Quality Control Standards

• June 2023



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Proposed Rule on AVM Quality Control Standards

- Under the proposed rule, a federally insured credit union originating mortgage loans must adopt and maintain policies, procedures, and control systems to ensure that AVMs adhere to quality control standards designed to:
 - Ensure a high level of confidence in the estimates produced,
 - Protect against the manipulation of data,
 - Avoid conflicts of interest,
 - Require random sample testing and reviews, and
 - Comply with applicable non-discrimination laws

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Bonus Material

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Bonus Material

- Digital Mortgage Comparison Shopping Platforms
- HUD Statements of Policy
- Servicing Requirements
- Home Mortgage Disclosure Act

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Digital Mortgage Comparison Shopping Platforms

Bonus Material

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Digital Mortgage Comparison Shopping Platforms

- CFPB Advisory Opinion
 - February 2023

BILLING CODE: 4804-AMF
BUREAU OF CONSUMER FINANCIAL PROTECTION
12 CFR Part 1024
Real Estate Settlement Procedures Act (Regulation X); Digital Mortgage Comparison Shopping Platforms and Related Payments to Operators
AGENCY: Bureau of Consumer Financial Protection
ACTION: Advisory opinion
SUMMARY: The Consumer Financial Protection Bureau (CFPB) is issuing this Advisory Opinion to address the applicability of the Real Estate Settlement Procedures Act (RESPA) section 8 to operators of certain digital technology platforms that enable consumers to compare shop for mortgages and other real estate settlement services, including platforms that generate potential leads for the platform participants through consumers' interaction with the platform (Digital Mortgage Comparison Shopping Platforms). Generally, this Advisory Opinion describes how an operator of a Digital Mortgage Comparison Shopping Platform violates RESPA section 8 if the platform provides enhanced placement or otherwise steers consumers to platform participants based on compensation the platform operator receives from those participants rather than based on neutral criteria. More specifically, this Advisory Opinion states that an operator of a Digital Mortgage Comparison Shopping Platform receives a prohibited referral fee in violation of RESPA section 8 when (1) the Digital Mortgage Comparison Shopping Platform non-neutrally uses or presents information about one or more settlement service providers participating on the platform, (2) that non-neutral use or presentation of information has the effect of steering the consumer to one, or otherwise affirmatively influences the selection of, those settlement service providers, thus constituting referred activity; and (3) the

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HUD Statements of Policy

Bonus Material

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HUD Statements of Policy

- CFPB Guidance
 - September 2023

The thumbnail shows a document from the Consumer Financial Protection Bureau (CFPB). The header includes the CFPB logo and the address: 1700 G Street NW, Washington, DC 20562. The date is September 1, 2023. The title is "Other applicable RESPA documents: HUD Documents". The main text states that the Dodd-Frank Act transferred HUD's authority under multiple statutes, including the Real Estate Settlement Procedures Act (RESPA), to the CFPB. It references the 2011 Transfer Notice of Authority and the 2011 Transfer Notice of Authority. It also mentions that the 2011 Transfer Notice identified the rules and orders of the transfer agencies enforceable by the CFPB, including Department of Housing and Urban Development (HUD)'s regulations on RESPA in 24 CFR part 3200. The document further states that the 2011 Transfer Notice confirmed that other official documents issued by other agencies prior to the transfer date would be applied by the CFPB going forward unless the CFPB took further action with respect to these documents or they were superseded by law. It lists several HUD documents that fall within the scope of the official documents as defined in the 2011 Transfer Notice and continue to be applied today by the CFPB. The list is provided for ease of reference and is not exhaustive of all HUD documents that continue to apply. Reviewers should consult the HUD website for a complete list of HUD documents.

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HUD Statements of Policy

6/7/1996	Statement of Policy Regarding Computer Loan Origination Systems	61 FR 29255
6/7/1996	Statement of Policy Regarding Sham Controlled Business Arrangements	61 FR 29258
6/7/1996	Statement of Policy Rental of Office Space, Lock Outs, and Retaliation	61 FR 29264
9/19/1996	Statement of Enforcement Standards: Title Insurance Practices in Florida	61 FR 49398
2/1/1999	Statement of Policy Regarding Lender Payments to Mortgage Brokers	64 FR 10080
10/18/2001	Clarification of Policy Statement Regarding Lender Payments to Mortgage Brokers and Guidance Concerning Unearned Fees	66 FR 53052
6/25/2010	Home Warranty Companies' Payments to Real Estate Brokers and Agents	75 FR 36271

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HUD Statements of Policy

- Statement of Policy Regarding Lender Payments to Mortgage Brokers
 - Payment must be for services actually performed:
 - Filling out an application
 - Pre-qualifying the borrower
 - Educating the borrow in the home buying and financing process
 - Collecting documents related to the application process
 - Initiating verifications of employment and verifications of deposit
 - Initiating other verifications
 - Ordering appraisals

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HUD Statements of Policy

- Statement of Policy Regarding Lender Payments to Mortgage Brokers
 - Payment must be for services actually performed:
 - Ordering inspections
 - Providing disclosures
 - Assisting the borrower in understanding and clearing credit problems
 - Maintaining regular contact with the borrower during the loan process
 - Ordering legal documents
 - Determining whether the property is located in a special flood hazard area
 - Participating in the loan closing

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Servicing Requirements

Bonus Material

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Servicing Requirements

- Small Servicer Exemption
- Periodic Statements
- Early Intervention Requirements
- Continuity of Contact Provisions

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Small Servicer Exemption

Servicing Requirements

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Small Servicer Exemption

- A credit union, that together with its affiliates, services 5,000 or fewer mortgage loans

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Periodic Statements

Servicing Requirements

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Periodic Statements

- Scope and Coverage
 - Closed-end consumer credit transactions secured by a dwelling
- Delivery
 - Delivered or placed in the mail within a reasonably prompt time (4 days) after the close of the previous billing cycle

Springside Mortgage		Mortgage Statement	
Customer Service: 1-800-555-1234 www.springsidemortgage.com		Statement Date: 3/20/2012	
Jordan and Dana Smith 4700 Jones Drive Memphis, TN 38109		Account Number: 1234567	Payment Due Date: 4/1/2012
		Amount Due	\$2,079.71
		<small>If payment is received after 4/15/12, \$100 late fee will be charged.</small>	
Account Information		Explanation of Amount Due	
Outstanding Principal	\$264,776.43	Principal	\$186.46
Interest Rate (3rd Oct 2012)	4.75%	Interest	\$1,048.07
Prepayment Penalty	Yes	Escrow (for Taxes and Insurance)	\$225.18
		Regular Monthly Payment	\$1,669.71
		Total Fees Charged	\$410.00
		Total Amount Due	\$2,079.71
Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/16/12	Late fee charged because full payment not received by 3/15/2012	\$100.00	
3/17/12	Payment Received - Thank you		\$1,669.71
3/19/12	Property Inspection Fee	\$250.00	
Past Payments Breakdown			
	Paid Last Month	Paid Year to Date	
Principal	\$186.46	\$1,150.25	
Interest	\$1,048.07	\$1,153.34	
Escrow (Taxes and Insurance)	\$225.18	\$785.14	
Fees	\$0.00	\$0.00	
Total	\$1,669.71	\$3,088.73	

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Periodic Statements

- Example

SUN	MON	TUE	WED	THU	FRI	SAT
	1 Payment Due	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16 Grace Period Ends	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

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Early Intervention Requirements

Servicing Requirements

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Early Intervention Requirements

- Scope and Coverage
 - Mortgages secured by the borrower's primary residence
- Requirements
 - Make a good faith attempt to establish live contact not later than the 36th day of the borrower's delinquency
 - Provide written notice not later than the 45th day of the borrower's delinquency

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Early Intervention Requirements

- **Written Notice of Delinquency**
 - The 45-day written notice of delinquency must contain:
 - A statement encouraging the borrower to contact the credit union
 - The credit union's mailing address and telephone number
 - A brief description of loss mitigation options that may be available (if applicable)
 - Instructions as to how the borrower may apply for loss mitigation assistance or obtain more information about loss mitigation options
 - The website to access either the CFPB's or HUD's list of homeownership counseling organizations

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Continuity of Contact Provisions

Servicing Requirements

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Continuity of Contact Provisions

- Scope and Coverage
 - Mortgages secured by the borrower's primary residence
- Requirements
 - A single person (or team of people) must be assigned to a delinquent borrower

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Home Mortgage Disclosure Act

Bonus Material

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Home Mortgage Disclosure Act

- Institutional Coverage Test
- Reporting Thresholds
- Covered Transactions
- Data Collection Requirements
- Recording HMDA Data
- Reporting HMDA Data
- Public Disclosure

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Institutional Coverage Test

Home Mortgage Disclosure Act

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Institutional Coverage Test

- Assets in excess of \$56 million as of 12/31/2023
- Home or branch office in a Metropolitan Statistical Area (MSA)
- Originated at least one home purchase or refinance transaction in the preceding calendar year, and
- Federally insured or regulated

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Reporting Thresholds

Home Mortgage Disclosure Act

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Reporting Thresholds

- **Closed-End Loans**

- The credit union must report its closed-end mortgage loans if it originated at least 25 in each of the two preceding calendar years

- **Open-End Loans**

- The credit union must report its open-end mortgage loans if it originated at least 200 in each of the two preceding calendar years

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Covered Transactions

Home Mortgage Disclosure Act

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Covered Transactions

- Applications for, originations of, and purchases of all loans secured by a dwelling
 - Includes:
 - Home equity lines of credit (HELOCs)
 - Certain business purpose loans secured by a dwelling
 - Reverse mortgages

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Covered Transactions

- Specifically Excluded Transactions:
 - A loan or line of credit secured by a lien on unimproved land
 - A loan or line of credit that is considered to be temporary financing
 - The loan or line of credit will be replaced by permanent financing at a later time
 - A loan or line of credit that is for an agricultural purpose

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Data Collection Requirements

Home Mortgage Disclosure Act

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Data Collection Requirements

- Partial Exemption for Low-Volume Filers
 - Insured credit unions that originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years are exempt from the collection and reporting of some, but not all, of the HMDA data points
 - Insured credit unions that originated fewer than 500 open-end mortgage loans in each of the two preceding calendar years are exempt from the collection and reporting of some, but not all, of the HMDA data points

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Data Collection Requirements

- Partial Exemption for Low-Volume Filers

HMDA Reporting for Low-Volume Filers			
500 or more	Must report all 48 data points	500 or more	Must report all 48 data points
25 to 499	Eligible for the partial exemption must report 22 data points	200 to 499	Eligible for the partial exemption must report 22 data points
0 to 24	Complete exemption no reporting required	0 to 199	Complete exemption no reporting required
Closed-end mortgage loans in each of the two preceding calendar years		Open-end mortgage loans in each of the two preceding calendar years	

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Legal Entity Identifier (LEI)	X	X
Universal Loan Identifier (ULI)	X	
Application Date	X	X
Loan Type	X	X
Loan Purpose	X	X
Preapproval Request	X	X
Construction Method	X	X

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Occupancy Type	X	X
Loan Amount	X	X
Action Taken	X	X
Action Taken Date	X	X
Property Address	X	
State	X	X
County	X	X

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Census Tract	X	X
Ethnicity	X	X
Race	X	X
Sex	X	X
Age	X	X
Income	X	X
Purchaser	X	X

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Rate Spread	X	
HOEPA Status	X	X
Lien Status	X	X
Credit Score	X	
Reason(s) for Denial	X	
Total Loan Costs or Total Points and Fees	X	
Total Borrower-Paid Origination Charges	X	

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Discount Points	X	
Lender Credits	X	
Interest Rate	X	
Prepayment Penalty	X	
Debt-to-Income Ratio	X	
Combined Loan-to-Value Ratio	X	
Loan Term	X	

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Introductory Interest Rate	X	
Non-Amortizing Features	X	
Property Value	X	
Manufactured Home Secured Property Type	X	
Manufactured Home Land Property Interest	X	
Number of Individual Dwelling Units	X	X
Number of Multifamily Affordable Housing Units	X	

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Data Collection Requirements

Data Field	Large Filer	Low-Volume Filer
Application Channel	X	
NMLS Identifier of the MLO	X	
Name of Automated Underwriting System	X	
Reverse Mortgage	X	
Open-End Line of Credit	X	
Business or Commercial Purpose	X	

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Recording HMDA Data

Home Mortgage Disclosure Act

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Recording HMDA Data

- Data must be transferred from the application or loan file to the credit union's Loan Application Register (LAR) within 30 calendar days after the end of the quarter in which final action was taken

Date of Final Action	
Application is denied:	Date of denial
Application is withdrawn:	Date of withdrawal
Application results in an origination:	Date of origination

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Reporting HMDA Data

Home Mortgage Disclosure Act

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Reporting HMDA Data

- The credit union must submit its Loan Application Register (LAR) not later than March 1st of the year following data collection

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Public Disclosure

Home Mortgage Disclosure Act

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Public Disclosure

- Lobby Notice

Home Mortgage Disclosure Act Notice

The HMDA data about our residential mortgage lending are available online for review. The data show geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials. HMDA data for many other financial institutions are also available online. For more information, visit the Consumer Financial Protection Bureau's Web site (www.consumerfinance.gov/hmda).

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Questions?



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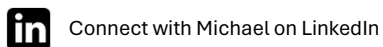


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As principal of Michael Christians Consulting, LLC, Michael assists financial institutions and organizations across the country with ensuring their compliance programs conform to federal laws and regulations. He provides counsel relative to current rules, assists with the strategic implementation of upcoming regulatory changes and offers customized education and training services.

Michael has more than two decades of experience in the financial services industry with a primary focus on consumer compliance. He obtained his Juris Doctorate from Drake University Law School. He is a member of the Iowa State Bar where he is licensed to practice law.

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