

8 HOUR SAFE COMPREHENSIVE CE 2015
INTEGRATED DISCLOSURES, ADVERTISING,
MARKETING AND NON-QM

CLASSROOM 8 HOUR COMPREHENSIVE CE COURSE



NMLS Provider #1400062
Mortgage Educators & Compliance Inc.
947 South 500 East, Suite 105, American Fork, UT, 84003



Rules of Conduct for NMLS Approved Pre-Licensure (PE) and Continuing Education (CE) Courses

The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act), requires that state-licensed MLOs complete pre-licensing (PE) and continuing education (CE) courses as a condition to be licensed. The SAFE Act also requires that all education completed as a condition for state licensure be NMLS approved. Since 2009 NMLS has established course design, approval, and delivery standards which NMLS approved course providers are required to meet. To further ensure students meet the education requirements of the SAFE Act, NMLS has established a Rules of Conduct (ROC). The ROC, which have been approved by the NMLS Mortgage Testing & Education Board, and the NMLS Policy Committee, both of which are comprised of state regulators, are intended to stress that NMLS approved education be delivered and completed with integrity.

Rules of Conduct

As an individual completing either pre-licensure education (PE) or continuing education (CE), I agree to abide by the following rules of conduct:

1. I attest that I am the person who I say I am and that all my course registration information is accurate.
2. I acknowledge that I will be required to show a current government issued form of identification prior to, and during the course, and/or be required to answer questions that are intended to verify/validate my identity prior to, and during the course.
3. I understand that the SAFE Act and state laws require me to spend a specific amount of time in specific subject areas. Accordingly, I will not attempt to circumvent the requirements of any NMLS approved course.
4. I will not divulge my login ID or password or other login credential(s) to another individual for any online course.
5. I will not seek or attempt to seek outside assistance to complete the course.
6. I will not give or attempt to give assistance to any person who is registered to take an NMLS approved pre-licensure or continuing education course.
7. I will not engage in any conduct that creates a disturbance or interferes with the administration of the course or other students' learning.
8. I will not engage in any conduct that would be contrary to good character or reputation, or engage in any behavior that would cause the public to believe that I would not operate in the mortgage loan business lawfully, honestly or fairly.
9. I will not engage in any conduct that is dishonest, fraudulent, or would adversely impact the integrity of the course(s) I am completing and the conditions for which I am seeking licensure or renewal of licensure.

I understand that NMLS approved course providers are not authorized by NMLS to grant exceptions to these rules and that I alone am responsible for my conduct under these rules. I also understand that these rules are in addition to whatever applicable rules my course provider may have.

I understand that the course provider or others may report any alleged violations to NMLS and that NMLS may conduct an investigation into alleged violations and that it may report alleged violations to the state(s) in which I am seeking licensure or maintain licenses, or to other states.

I further understand that the results of any investigation into my alleged violation(s) may subject me to disciplinary actions by the state(s) or the State Regulatory Registry (SRR), including removal of any course from my NMLS record, and/or denial or revocation of my license(s).

Course Number(s)

Signature

Date (mm/dd/yyyy)

Print Name

NMLS ID (If Known)

Rules of Conduct for NMLS Approved Courses

All students should have received their own copy and signed it after reading it.

If you have concerns related to these rules, please direct them to the NMLS.



INTRODUCTION



*Let me tell you
a little about
myself...*

COURSE FEATURES TO IMPROVE LEARNING:



Questions to test your knowledge



Case studies to illustrate real-world applicability



Mortgage industry terms to know

COURSE OUTLINE

- **Federal Law (TILA-RESPA Integrated Disclosure)** 3hrs
- **Non-Traditional Mortgage (Non-QM)** 2hrs
- **Fraud, Consumer Protection, & Fair Lending** 2hrs
- **Elective (Advertising & Marketing Service Agreements)** 1hr

BE ON THE LOOK-OUT!



Coming
October
2015

Integrated Disclosures

INTEGRATED DISCLOSURES

- **Overview** – Consolidation of current forms
- **Timeline** -
 - Was August 1, then Oct 1st now Oct 3rd 2015.
- **Important Info and FAQ's**
- **Forms**
 - Initial Disclosures
 - Closing Document

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE

Overview of the Final Rule:

- Integration of TILA and RESPA disclosures **into two new forms.**
- **New timing requirements** for disclosures (1026.19(e) and (f))
- **New tolerance levels** for disclosed estimates (1026.19(e) and (f))

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE

Overview of the Final Rule:

(Continued)

- **New pre-disclosure requirements** (1026.19(e)(2))
- **Loan Estimate form** (1026.37 and Appendix H-24)
- **Closing Disclosure form** (1026.38 and Appendix H-25)

WHY DO WE HAVE THE NEW DISCLOSURES?

The Bureau (CFPB) issued the TILA-RESPA Integrated Disclosure final rule in November of 2013 to implement provisions under the Dodd Frank Wall Street Reform and Consumer Protection Act.

So industry will have almost two years to implement the new changes.

The rule

FINAL RULE SUBMITTED TO THE FEDERAL REGISTER

November 20, 2013: We issued the final rule in a document with the following parts:



- [Preamble](#) summarizing why we are issuing the rule, our legal authority, reasoning behind the rule, responses to comments, and analysis of the benefits, costs, and impacts of the rule
- [Regulatory text](#), which, when effective, will amend Regulation Z and can be found on page 1365 in the document below
- [Official interpretations](#) of the rules which can be found on page 1644 in the document below

[Read the full document.](#)

The Office of the Federal Register published this document on December 31, 2013. [View the document as published in the Federal Register.](#)

EFFECTIVE DATE

This rule is effective August 1, 2015. The final rule applies to transactions for which the creditor or mortgage broker receives an application on or after that date.

housing; mortgage servicing;
mortgages; national banks;
recordkeeping and recordkeeping
requirements; reporting; reporting
and recordkeeping requirements;
savings associations; truth in
lending;

Questions?

About interpretation or application:

- CFPB_reinquiries@cfpb.gov
- (202) 435-7700



Contact us (855) 411-2372

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> STATEMENT BY CFPB DIRECTOR RICHARD CORDRAY ON KNOW BEFORE YOU OWE MORTGAGE DISCLOSURE RULE

JUN 17 2015

Statement by CFPB Director Richard Cordray on Know Before You Owe Mortgage Disclosure Rule



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WASHINGTON, D.C. — Today, Consumer Financial Protection Bureau (CFPB) Director Richard Cordray issued the following statement on the Know Before You Owe mortgage disclosure rule:

“The CFPB will be issuing a proposed amendment to delay the effective date of the Know Before You Owe rule until October 1, 2015. We made this decision to correct an administrative error that we just discovered in meeting the requirements under federal law, which would have delayed the effective date of the rule by two weeks. We further believe that the additional time included in the proposed effective date would better accommodate the interests of the many consumers and providers whose families will be busy with the transition to the new school year at that time.”

The public will have an opportunity to comment on this proposal and a final decision is

Photos and bios



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JUN 24 2015

CFPB Proposes Two-Month Extension of Know Before You Owe Mortgage Rule



Proposal Open for Public Comment Until July 7th

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today issued a proposed amendment to the Know Before You Owe mortgage disclosure rule, which proposes to move the rule’s effective date to October 3, 2015. The rule, also called the TILA-RESPA Integrated Disclosure rule, requires easier-to-use mortgage disclosure forms that clearly lay out the terms of a mortgage for a homebuyer. The Bureau is issuing the proposal to correct an administrative error that would have delayed the effective date of the rule by at least two weeks, until August 15 at the earliest.

The CFPB is proposing a new effective date of Saturday, October 3. The Bureau believes that moving the effective date may benefit both industry and consumers with a smoother transition to the new rules. The Bureau further believes that scheduling the effective date on a Saturday may facilitate implementation by giving industry time over the weekend to launch new systems configurations and to test systems. A Saturday launch is also consistent with existing industry plans tied to the original effective date of

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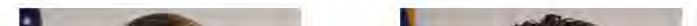
[Mortgages](#)



Consumer Financial Protection Bureau

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Photos and bios



WHY DO WE HAVE THE NEW DISCLOSURES?

The Bureau issued the TILA RESCUE rule under the Dodd-Frank Act.

~~The Final Rule will take effect August 1, 2015!~~

October 3, 2015

Do you know how the TILA-
RESPA Integrated
Disclosure Final Rule
will effect how you do business?

It all starts with taking an
“application”.



AN APPLICATION CONSISTS OF THE SUBMISSION OF:



1. Consumer's **Name**,
2. Consumer's **Income**,
3. Consumer's **Social Security #** To Obtain A Credit Report,
4. The **Property Address**,
5. An Estimate Of The **Value Of The Property**, and
6. The Mortgage **Loan Amount**.

TILA-RESPA INTEGRATED DISCLOSURE: APPLICATION



Q: The definition of application **does not include** loan term or product type.

What if a consumer submits the six elements listed in the rule, but does not specify the type of product or term?

TILA-RESPA INTEGRATED DISCLOSURE: APPLICATION



Q: What if the consumer starts filling out an online application and saves it with the six pieces of information entered, but has not yet submitted it to the creditor?

SOURCE: [HTTP://WWW.PHILADELPHIAFED.ORG/BANK-RESOURCES/PUBLICATIONS/CONSUMER-COMPLIANCE-OUTLOOK/OUTLOOK-LIVE/2014/082614.PDF](http://www.philadelphiafed.org/bank-resources/publications/consumer-compliance-outlook/outlook-live/2014/082614.pdf)

TILA-RESPA INTEGRATED DISCLOSURE: APPLICATION



Q: What if the loan is a refinance and the creditor already has this particular information on file?

Is the creditor considered to have received the consumer's application?

SOURCE: [HTTP://WWW.PHILADELPHIAFED.ORG/BANK-RESOURCES/PUBLICATIONS/CONSUMER-COMPLIANCE-OUTLOOK/OUTLOOK-LIVE/2014/082614.PDF](http://www.philadelphiafed.org/bank-resources/publications/consumer-compliance-outlook/outlook-live/2014/082614.pdf)

TILA-RESPA INTEGRATED DISCLOSURE: APPLICATION



Q: May an online application system reject applications submitted by a consumer that contain the six elements of an application because other preferred information is not included?

SOURCE: [HTTP://WWW.PHILADELPHIAFED.ORG/BANK-RESOURCES/PUBLICATIONS/CONSUMER-COMPLIANCE-OUTLOOK/OUTLOOK-LIVE/2014/082614.PDF](http://www.philadelphiafed.org/bank-resources/publications/consumer-compliance-outlook/outlook-live/2014/082614.pdf)

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: SCOPE

Applies to most closed-end consumer credit transactions secured by real estate, but does not apply to:

- Reverse mortgages
- Home-equity lines of credit (HELOCs)
- Chattel dwelling loans (House Boats, Mobile Homes)

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: SCOPE (CONT.)

- Loans made by a person who originates **five or fewer mortgages in a year,**
- Certain **no-interest loans** secured by subordinate (seconds) liens made for the purpose of **downpayment** or similar home buyer **assistance, property rehab., energy efficiency, or foreclosure avoidance or prevention (1026.3(h))**

TILA-RESPA INTEGRATED DISCLOSURE: SCOPE



Q: Section 1026.3(h) exempts certain down payment assistance (DPA) loans from the new rules.

Do creditors still need to provide the existing TILA disclosures for those loans?

Yes, they do.

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: VARIATIONS/TOLERANCES

Variations/Tolerances

General Rule requirements:

General good faith requirement and “zero tolerance” 1026.19(e)(3)(i):

10% Cumulative charges 1026.19(e)(3)(ii):

Unlimited variation or “not subject to tolerance” 1026.19(e)(3)(iii):

See Small Entity Compliance Guide, sections 7.1-7.12; Preamble to Final Rule 78 FR 79816-79834; see also 1026.19(e)(3)

TILA-RESPA INTEGRATED DISCLOSURE: VARIATIONS/TOLERANCES



Q: Is owner's title insurance **not** required by the creditor subject to the 10% cumulative tolerance?

No. Owner's title insurance that is not required by the creditor is not subject to the 10% cumulative tolerance.

TILA-RESPA INTEGRATED DISCLOSURE: DISCLOSURE/REDISCLASURE TIMING



- **Loan Estimate Timing – When** 1026.19(e)(1)(iii)
- **Triggering Events For Redisclosure – Why** 1026.19(e)(3)(iv)
- **Timing For Redisclosure** 1026.19(e)(4):
- **Timing For Closing Disclosure – When** 1026.19(f)(1)(ii):
- **Changes Requiring Revised Closing Disclosure – What**
1026.19(f)(2):

TILA-RESPA INTEGRATED DISCLOSURE: DISCLOSURE/REDISCLOSURE TIMING



- Q: Does the 7-day waiting period before consummation that applies to Loan Estimates apply to revised disclosures?

No. The 7-day waiting period does not apply to **revised** Loan Estimates. However, the latest that a revised Loan Estimate may be received by a consumer is **4 business days** before consummation.

TILA-RESPA INTEGRATED DISCLOSURE: DISCLOSURE/REDISCLASURE TIMING



Q: Are creditors required to provide revised Loan Estimates on the same business day that a consumer or loan originator requests a rate lock?

No, the revised Loan Estimate must be redisclosed within 3-business days.

(1026.19(e)(3)(iv)(D))

TILA-RESPA INTEGRATED DISCLOSURE: DISCLOSURE/REDISCLASURE TIMING



Q: May a Closing Disclosure be provided early and revised Closing Disclosures used in place of revised Loan Estimates for re-disclosing estimates that changed due to changed circumstances?



The short answer to this question as to whether or not the Closing Disclosure could be provided early and then used to redisclose is going to be **“NO”**.

SOURCE: [HTTP://WWW.PHILADELPHIAFED.ORG/BANK-RESOURCES/PUBLICATIONS/CONSUMER-COMPLIANCE-OUTLOOK/OUTLOOK-LIVE/2014/082614.PDF](http://www.philadelphiafed.org/bank-resources/publications/consumer-compliance-outlook/outlook-live/2014/082614.pdf)

TILA-RESPA INTEGRATED DISCLOSURE: DISCLOSURE/REDISCLASURE TIMING



Q: Is an additional 3-business-day waiting period required if the APR decreases by more than 1/4 or 1/8 percentage points?

YES, the three business day requirement was not changed under the current TILA requirements.

FORMS



**Good Faith Estimate
Truth In Lending
HUD 1**

QUESTION

Honestly, truthfully why do you need to know about the Loan Estimate and Closing Disclosure if you may not even be preparing these disclosures?

What if the borrower asked you to explain their costs, fees, and charges and you answered with ...

“Wow, this is the first time I’ve seen the document” or even worse...

“I don’t know”.

PLEASE !!!

- Save these slides!!!
- They will become your reference or “go to” pages for information. We have taken the information, comments and FAQs and explain them in plain English.
- One of the newest changes is the:
- New “Your Home Loan Toolkit” from the CFPB Mar 31, 2015.

MAR 31 2015 

CFPB Announces New 'Know Before You Owe' Mortgage Shopping Toolkit

"Your Home Loan Toolkit" Will Help Consumers Be Informed Mortgage Shoppers

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today released a new toolkit that guides consumers through the process of shopping for a mortgage and buying a house. Developed as part of the CFPB's "Know Before You Owe" mortgage initiative, the toolkit will help consumers take full advantage of the new Loan Estimate and Closing Disclosure forms that lenders are required to begin providing in August.

Your home loan toolkit

A step-by-step guide




How can this toolkit help you?


Buying a home is exciting and, let's face it, complicated. This booklet is a toolkit that can help you make better choices along your path to owning a home.


After you finish this toolkit:

- You'll know the most important steps you need to take to **get the best mortgage** for your situation Section 1: Page 3
- You'll better **understand your closing costs** and what it takes to buy a home Section 2: Page 16
- You'll see a few ways to **be a successful homeowner** Section 3: Page 24

How to use the toolkit:

 The location symbol orients you to where you are in the home buying process.

 The pencil tells you it is time to get out your pencil or pen to circle, check, or fill in numbers.

 The magnifying glass highlights tips to help you research further to find important information.

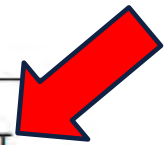
 The speech bubble shows you conversation starters for talking to others and gathering more facts.

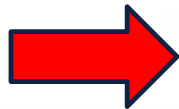


Loan Estimate

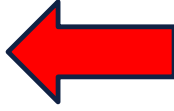
DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

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



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

Sample Loan Estimate
Page 1



Loan Estimate

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Date Issued The date the LE is mailed or delivered to the consumer.

Applicants includes the name and address of the consumer(s). An additional page may be added to the Loan Estimate if the space provided is insufficient to list all of the Applicants.

Sample Loan Estimate
Page 1

Loan Estimate

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Property is the address of the property (which must include the zip code).

Sale Price or Appraised Value or Estimated Value

If the loan is for a purchase money mortgage, use Sale Price. If the loan is for a transaction without a seller, use Appraised Value or Estimated Value.

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Loan Estimate

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PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE \$180,000

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

For a Loan Term that is more than 24 months but is not whole years, describe using years and months with the abbreviations "yr." and "mo.," respectively. For example, a loan term of 185 months is disclosed as "15 yr., 5mo."

Purpose is disclosed using one of 4 descriptions: Purchase, Refinance, Construction, or Home Equity Loan.

Sample Loan Estimate
Page 1

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Product You are required to include two pieces of information in this disclosure: The first piece of information is any **payment feature** that may change the periodic payment, which includes Negative Amortization, Interest Only, Step Payment, Balloon Payment, or Seasonal Payment.

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

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Product

The second piece of information disclosed is whether the loan uses an Adjustable Rate, Step Rate, or Fixed Rate to determine the interest rate applied to the **principal balance**.

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

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Loan Type is the type of the loan, such as:

- Conventional if the loan is **not** guaranteed or insured by a Federal / State government agency,
- FHA if the loan is insured by the FHA,
- VA if the loan is guaranteed by the U.S. Department of Veterans Affairs, and
- Other with a brief description if the loan is insured or guaranteed by another Federal / State agency.

Sample Loan Estimate
Page 1

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Rate Lock Indicate the rate is locked with Yes or No. When locked, the date and time (including the applicable time zone) when the lock period ends must be disclosed. The date and time (**including the applicable time zone**) at which the estimated closing costs expire must be disclosed on every Loan Estimate.

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

If the initial **Interest Rate** is not known at consummation, the fully-indexed rate (ARM) is disclosed. The initial principal and interest payment amount also would be calculated using the same fully-indexed rate.

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

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

If the Loan Amount, Interest Rate, or Monthly P&I amounts can increase after consummation, disclose **Yes** where applicable also how the rate will adjust. Also, disclose and reference the Adjustable Payment (AP) Table on page 2.

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
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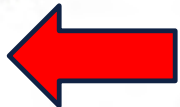
When the answer is **Yes** to either, disclose, as applicable: For example a PPP, "as high as \$3,240 if you pay off the loan in the first two years". The maximum amount of the Balloon Payment and the due date. For example, "You will have to pay \$149,263 at the end of year 7".

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

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Projected Payments

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

In Escrow? Disclose **Yes** when an escrow account will be established that will pay the item; or disclose **No** when an escrow account will not be established.

Sample Loan Estimate
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

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



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

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Sample Loan Estimate Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

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

Fees are now in alphabetical order. Lines are not prefilled.

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

Number lines are gone and the same letters are found on the CD.

Other Costs

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

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

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

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

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

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

Up to 13 individual items.

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

Other Costs

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

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

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

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

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

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

Disclose the total amount of the items that exceed 12 with the label "Additional Charges".

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

Other Costs

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

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

G. Initial Escrow Payment at Closing	\$413
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H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

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

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

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

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

Services You Can Shop For: are provided by persons other than the creditor or mortgage broker and are services that the consumer can shop for and will pay for at settlement.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

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

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

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

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

Total Loan Costs is the sum of the subtotals of Origination Charges, Services You Cannot Shop For, and Services You Can Shop For.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

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

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

Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepaids	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
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H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382

General Category that we will break down over the next few slides.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
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Underwriting Fee	\$1,097

B. Services You Cannot Shop For	\$672
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Recording Fees and Other Taxes	\$85
Transfer Taxes	

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

G. Initial Escrow Payment at Closing	\$413
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Mortgage Insurance per month for mo.	
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Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

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

You know what "Prepays are!"

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

Other Costs

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

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Property Taxes (months)	

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

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

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
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Application Fee	\$300
Underwriting Fee	\$1,097

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

Other Costs

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

F. Prepays	\$867
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Mortgage Insurance Premium (months)	
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Property Taxes (months)	

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

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

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---------------------------------------------	----------------

Just a math box.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close

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

On a purchase transaction

Sample Loan Estimate
Page 2

Calculating Cash to Close

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

When the loan amount exceeds the purchase price of the property, disclose \$0 as Down Payment/Funds from Borrower.

Sample Loan Estimate
Page 2

Calculating Cash to Close

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

In a Purchase transaction, Deposit is the amount disclosed as a negative number.

Sample Loan Estimate
Page 2

Calculating Cash to Close

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

In a Purchase transaction, Funds for Borrower is \$0. In other transactions, subtract the principal amount of the new loan from the total amount of existing debt the negative amount will go to borrower.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close

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

Seller Credits is the total amount that the seller will pay for items included in the Loan Costs and Other Costs tables, disclosed as a negative number.

Sample Loan Estimate
Page 2

Calculating Cash to Close

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

Adjustments and Other Credits is the total amount paid by persons other than the LO, creditor, consumer, or seller, together with any other amounts that are required to be paid by the consumer at closing pursuant to the contract of sale (if any), disclosed as a negative number.

Sample Loan Estimate
Page 2

Calculating Cash to Close

Loan Amount

Total Closing Costs (J)

Estimated Total Payoffs and Payments

Estimated Cash to Close From To Borrower

Estimated Closing Costs Financed
(Paid from your Loan Amount)

An optional **Alternative Calculating Cash to Close** table can be used for transactions without a seller or more simply put a refinance.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close

Loan Amount

Total Closing Costs (J)

Estimated Total Payoffs and Payments

Estimated Cash to Close From To Borrower

Estimated Closing Costs Financed
(Paid from your Loan Amount)

If the Loan Amount is \$100,000, the Total Closing Costs is \$10,000, the Estimated Payoffs and Payments is \$80,000 then the Estimated Closing Costs Financed would be \$10,000.

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

The **Adjustable Payment (AP) Table** is disclosed when the periodic principal and interest payment may change after consummation, but **not** because of a change to the interest rate.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

A subheading of **Monthly Principal and Interest Payments**, that also lists: **As First Change/Amount**, the number of the payment that may change; The frequency of **Subsequent Changes** and the **Maximum Payment** that may be paid during the term of the loan.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

The **Adjustable Interest Rate (AIR) Table** is disclosed when the loan's interest rate may increase after consummation.

Adjustable Interest Rate (AIR) Table

Index + Margin

Initial Interest Rate

Minimum/Maximum Interest Rate

Change Frequency

First Change

Subsequent Changes

Limits on Interest Rate Changes

First Change

Subsequent Changes

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Drilling down into more details.

Adjustable Interest Rate (AIR) Table

Index + Margin

Initial Interest Rate

Minimum/Maximum Interest Rate

Change Frequency

First Change

Subsequent Changes

Limits on Interest Rate Changes

First Change

Subsequent Changes

Sample Loan Estimate Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Change Frequency - Typically, the first change month for the interest rate and when the subsequent changes may occur. **Limits on Interest Rate Changes** The greatest limit on changes in the interest rate must be disclosed.

Adjustable Interest Rate (AIR) Table

Index + Margin

Initial Interest Rate

Minimum/Maximum Interest Rate

Change Frequency

First Change

Subsequent Changes

Limits on Interest Rate Changes

First Change

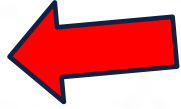
Subsequent Changes

Sample Loan Estimate
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Additional Information About This Loan

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



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



Contact Information

Comparisons

Use these measures to compare this loan with other loans.

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

Sample Loan Estimate
Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Additional Information About This Loan

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

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

Comparisons

Use these measures to compare this loan with other loans.

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

If the Loan Amount is \$100,000 and the total amount of interest that the consumer will pay over the Loan Term is \$50,000, then the TIP is 50%.

Sample Loan Estimate
Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Other Considerations

Appraisal

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption

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

Homeowner's Insurance

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

Late Payment

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

Refinance

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

Servicing

We intend
 to service your loan. If so, you will make your payments to us.
 to transfer servicing of your loan.

General Overview

Sample Loan Estimate Page 3

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

Other Considerations

Appraisal

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption

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

Homeowner's Insurance

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

Late Payment

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

Refinance

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

Servicing

We intend
 to service your loan. If so, you will make your payments to us.
 to transfer servicing of your loan.

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

Applicant Signature

Date

Co-Applicant Signature

Date

Other Considerations

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Assumption

If you sell or transfer this property to another person, we
 will allow, under certain conditions, this person to assume this loan on the original terms.
 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.

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

Refinance

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

Servicing

We intend
 to service your loan. If so, you will make your payments to us.
 to transfer servicing of your loan.

The consumer is not required to sign the LE. The creditor may add a signature statement in order to **Confirm Receipt**.

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

TILA-RESPA INTEGRATED DISCLOSURE: LOAN ESTIMATE (GENERAL)



Q: For second mortgages issued simultaneously with first mortgages as part of a purchase transaction (or “simultaneous seconds”) is the creditor allowed to use the **alternative** Loan Estimate for transactions without a seller?

YES, The new disclosure rules allow creditors to use an alternative Loan Estimate and an alternative Closing Disclosure with fewer entries for transactions without a seller (Refinance).

TILA-RESPA INTEGRATED DISCLOSURE: LOAN ESTIMATE (GENERAL)



(continued)

Q: If there is more than one applicant/consumer, what needs to be disclosed on the Loan Estimate?

If there is more than one consumer applying for credit, § 1026.37(a)(5) requires disclosure of the name and mailing address of each consumer applying for that credit.

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: CONSUMMATION

- Consummation occurs when the consumer becomes contractually obligated *to the creditor* on the loan.
- Not contractually obligated to the seller, such as at the time money is exchanged.

§ 1026.2(a)(13)

TILA-RESPA INTEGRATED DISCLOSURE : CLOSING DISCLOSURE

- A **Closing Disclosure** must be provided to the consumer at least three business days prior to consummation.
- An additional 3-business-day waiting period applies when there are changes to the Closing Disclosure resulting in:
 1. an increased APR,
 2. the addition of a Prepayment Penalty, or
 3. the change of a loan product

§ 1026.2(a)(13)

Closing Disclosure

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

Closing Information

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

Transaction Information

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

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate

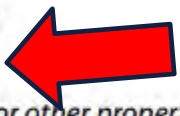
Loan Type Conventional FHA
 VA _____
Loan ID # 123456789
MIC # 000654321

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

Sample Closing Disclosure
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Projected Payments		
Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> <i>See page 4 for details</i>	\$356.13 a month	<p>This estimate includes</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <p><i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i></p> <p>In escrow?</p> <p>YES YES NO</p>



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



Sample Closing Disclosure
Page 1

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Costs at Closing

Estimated Closing Costs

Includes _____ in Loan Costs + _____ in Other Costs –
in Lender Credits. See page 2 for details.

Estimated Cash to Close

Includes Closing Costs. See Calculating Cash to Close on page 2 for details.
 From To Borrower

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

Alternative Costs at Closing Disclose the Alternative Costs at Closing table for transactions without a seller (Refinance).

Check boxes are used in order to indicate whether the amount of cash is due from or paid to the consumer at consummation.

Sample Alt. Closing Disclosure
Page 1

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$1,802.00				
01 0.25 % of Loan Amount (Points)	\$405.00				
02 Application Fee	\$300.00				
03 Underwriting Fee	\$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$236.55				
01 Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Flood Monitoring Fee to Info Co.	\$31.75				
05 Tax Monitoring Fee to Info Co.	\$75.00				
06 Tax Status Research Fee to Info Co.	\$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	\$2,655.50				
01 Pest Inspection Fee to Pests Co.	\$120.50				
02 Survey Fee to Surveys Co.	\$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04 Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06 Title – Title Search to Epsilon Title Co.	\$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$4,694.05				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			

The Loan Costs can be disclosed on 2 separate pages.
When used, these pages are numbered page 2a and 2b.

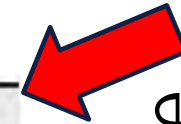
Sample Closing Disclosure Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$1,802.00				
01 0.25 % of Loan Amount (Points)	\$405.00				
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01 Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Flood Monitoring Fee to Info Co.	\$31.75				
05 Tax Monitoring Fee to Info Co.	\$75.00				
06 Tax Status Research Fee to Info Co.	\$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	\$2,655.50				
01 Pest Inspection Fee to Pests Co.	\$120.50				
02 Survey Fee to Surveys Co.	\$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04 Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06 Title – Title Search to Epsilon Title Co.	\$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$4,694.05				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			

LO comp. is disclosed as Origination Charges, even though it is not disclosed on the Loan Estimate. Compensation from the creditor to a third-party loan originator is designated as Paid by Others on the Closing Disclosure.



Sample Closing Disclosure
Page 2

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$1,802.00				
01 0.25 % of Loan Amount (Points)	\$405.00				
02 Application Fee	\$300.00				
03 Underwriting Fee	\$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$236.55				
01 Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Flood Monitoring Fee to Info Co.	\$31.75				
05 Tax Monitoring Fee to Info Co.	\$75.00				
06 Tax Status Research to Info Co.	\$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	\$2,655.50				
01 Pest Inspection Fee to Pests Co.	\$120.50				
02 Survey Fee to Surveys Co.	\$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04 Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06 Title – Title Search to Epsilon Title Co.	\$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$4,694.05				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			

Sample Closing Disclosure Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Other Costs

E. Taxes and Other Government Fees		\$85.00			
01	Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00			
02	Transfer Tax to Any State			\$950.00	
F. Prepays		\$2,120.80			
01	Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,209.96			
02	Mortgage Insurance Premium (mo.)				
03	Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)	\$279.04			
04	Property Taxes (6 mo.) to Any County USA	\$631.80			
05					
G. Initial Escrow Payment at Closing		\$412.25			
01	Homeowner's Insurance \$100.83 per month for 2 mo.	\$201.66			
02	Mortgage Insurance per month for mo.				
03	Property Taxes \$105.30 per month for 2 mo.	\$210.60			
04					
05					
06					
07					
08	Aggregate Adjustment	- 0.01			
H. Other		\$2,400.00			
01	HOA Capital Contribution to HOA Acre Inc.	\$500.00			
02	HOA Processing Fee to HOA Acre Inc.	\$150.00			
03	Home Inspection Fee to Engineers Inc.	\$750.00			\$750.00
04	Home Warranty Fee to XYZ Warranty Inc.			\$450.00	
05	Real Estate Commission to Alpha Real Estate Broker			\$5,700.00	
06	Real Estate Commission to Omega Real Estate Broker			\$5,700.00	
07	Title - Owner's Title Insurance (optional) to Epsilon Title Co.	\$1,000.00			
08					
I. TOTAL OTHER COSTS (Borrower-Paid)		\$5,018.05			
Other Costs Subtotals (E + F + G + H)		\$5,018.05			

J. TOTAL CLOSING COSTS (Borrower-Paid)		\$9,712.10				
Closing Costs Subtotals (D + I)		\$9,682.30	\$29.80	\$12,800.00	\$750.00	\$405.00
Lender Credits						

Sample Closing Disclosure
Page 2

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf



Calculating Cash to Close

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

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

Did this change?

If "Yes", indicate where the consumer can find the amounts that have changed.

Sample Closing Disclosure Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close

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

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

When the **amount** in the **Final** column is different from the **amount** in the Loan Estimate column, indicate that the consumer should see the Total Loan Costs or Total Other Costs tables.

Sample Closing Disclosure Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Use for a Refinance

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.	
	Loan Estimate	Final	Did this change?
Loan Amount			
Total Closing Costs (J)			
Closing Costs Paid Before Closing			General overview
Total Payoffs and Payments (K)			
Cash to Close	<input type="checkbox"/> From <input type="checkbox"/> To Borrower	<input type="checkbox"/> From <input type="checkbox"/> To Borrower	Closing Costs Financed (Paid from your Loan Amount)

Disclose an **Alternative Calculating Cash to Close** table for transactions without a seller when the Alternative Calculating Cash to Close table was used on the Loan Estimate.

Sample Alt. Closing Disclosure
Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close

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

	Loan Estimate	Final	Did this change?
Loan Amount			
Total Closing Costs (J)			
Closing Costs Paid Before Closing			
Total Payoffs and Payments (K)			
Cash to Close	<input type="checkbox"/> From <input type="checkbox"/> To Borrower	<input type="checkbox"/> From <input type="checkbox"/> To Borrower	Closing Costs Financed (Paid from your Loan Amount)

Loan Amount should have the same amount in the Final column as the Loan Amount in the Loan Terms table on page 1 of the CD. **Total Closing Costs** should have the same amount in the Final column as the amount disclosed as Total Closing Costs (Borrower-Paid) on page 2, as a negative number.

Sample Alt. Closing Disclosure Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.		
	Loan Estimate	Final	Did this change?	
Loan Amount				
Total Closing Costs (J)				
Closing Costs Paid Before Closing				
Total Payoffs and Payments (K)				
Cash to Close	<input type="checkbox"/> From Borrower <input type="checkbox"/> To Borrower	<input type="checkbox"/> From Borrower <input type="checkbox"/> To Borrower		Closing Costs Financed (Paid from your Loan Amount)

Closing Costs Paid Before Closing, disclose \$0 in the Loan Estimate column. The Final column should be disclosed as a positive number. **Total Payoffs and Payments**, should have a negative number. **Cash to Close** discloses whether the totals are due to or from the consumer. **Closing Costs Financed (Paid from your Loan Amount)** is the sum of the amounts in the Final column. However, the amount is disclosed only if the sum is greater than zero

Sample Alt. Closing Disclosure Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf



Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing		\$189,762.30
01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03	Closing Costs Paid at Closing (J)	\$9,682.30
04		
Adjustments		
05		
06		
07		
Adjustments for Items Paid by Seller in Advance		
08	City/Town Taxes to	
09	County Taxes to	
10	Assessments to	
11	HOA Dues 4/15/13 to 4/30/13	\$80.00
12		
13		
14		
15		

SELLER'S TRANSACTION

M. Due to Seller at Closing		\$180,080.00
01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		
04		
05		
06		
07		
08		
Adjustments for Items Paid by Seller in Advance		
09	City/Town Taxes to	
10	County Taxes to	
11	Assessments to	
12	HOA Dues 4/15/13 to 4/30/13	\$80.00
13		
14		
15		
16		

Sample Closing Disclosure
Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Summaries of Transaction

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
10 County Taxes to	
11 Assessments to	
12 HOA Dues 4/15/13 to 4/30/13	\$80.00
13	
14	
15	
16	

Sample Closing Disclosure Page 3

A creditor can work with a **Settlement Agent**, and the Settlement Agent can disclose the **Borrower's Transaction** column of the Summaries of Transactions table.

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	

Adjustments

05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			

13			
14			
15			

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	

Adjustments

05	
06	
07	
08	

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			

14			
15			
16			

Personal Property is defined by State law, but could include such items as carpets, drapes, and appliances. Manufactured homes are not considered personal property for the CD.

Sample Closing Disclosure
Page 3

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	

Adjustments

05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			

13			
14			
15			

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	

04	
05	
06	
07	
08	

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			

14			
15			
16			

Adjustments due from consumer to the seller. For example: the tenant(s) security deposit. PUD or condo. Fees paid in advance, fuel or other supplies on hand purchased by the seller which the consumer will use.

Sample Closing Disclosure
Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

L. Paid Already by or on Behalf of Borrower at Closing	\$175,615.04
01 Deposit	\$10,000.00
02 Loan Amount	\$162,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	\$2,500.00
Other Credits	
06 Rebate from Epsilon Title Co.	\$750.00
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes to	
14 Assessments to	
15	
16	
17	

CALCULATION

Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26

SELLER'S TRANSACTION

N. Due from Seller at Closing	\$115,665.04
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$12,800.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$100,000.00
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	\$2,500.00
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
15 County Taxes to	
16 Assessments to	
17	
18	
19	

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$115,665.04
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

Sample Closing Disclosure Page 3

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

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

SELLER'S TRANSACTION

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

Sample Closing Disclosure Page 3

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

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

SELLER'S TRANSACTION

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

Sample Closing Disclosure Page 3

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

L. Paid Already by or on Behalf of Borrower at Closing	\$175,615.04
01 Deposit	\$10,000.00
02 Loan Amount	\$162,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	\$2,500.00
Other Credits	
06 Rebate from Epsilon Title Co.	\$750.00
07	
Adjustments	
08	
09	
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Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes to	
14 Assessments to	
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CALCULATION	
Total Due from Borrower at Closing (K)	\$189,762.30
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Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26

SELLER'S TRANSACTION

N. Due from Seller at Closing	\$115,665.04
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03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$100,000.00
05 Payoff of Second Mortgage Loan	
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08 Seller Credit	\$2,500.00
09	
10	
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13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
15 County Taxes to	
16 Assessments to	
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CALCULATION	
Total Due to Seller at Closing (M)	\$180,080.00
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Sample Closing Disclosure Page 3

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Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

Sample Closing Disclosure Page 3

Summaries of Transactions

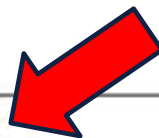
Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
10 County Taxes to	
11 Assessments to	
12 HOA Dues 4/15/13 to 4/30/13	\$80.00
13	
14	
15	
16	



The **Settlement Agent** completes and discloses the **Seller's Transaction** column of the Summaries of Transactions table.

Sample Closing Disclosure
Page 3

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Summaries of Transactions

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Sample Closing Disclosure Page 3

Summaries of Transactions

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Sample Closing Disclosure Page 3

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Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

Sample Closing Disclosure Page 3

Additional Information About This Loan

Loan Disclosures

Assumption

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

- will allow, under certain conditions, this person to assume this loan on the original terms.
- will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

Late Payment

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

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

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

Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- does not accept any partial payments.

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

Security Interest

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

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

Escrow Account

For now, your loan

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

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

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

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

In the future

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

Sample Closing Disclosure Page 4

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Additional Information About This Loan

Loan Disclosures

Assumption

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

- will allow, under certain conditions, this person to assume this loan on the original terms.
- will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

Late Payment

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

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

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

Escrow Account

For now, your loan

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

Escrow		
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Initial Escrow Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.

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

Sample Closing Disclosure Page 4

When an Escrow Account is established

Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
 - may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
 - does not accept any partial payments.
- If this loan is sold, your new lender may have a different policy.

Security Interest

You are granting a security interest in
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You may lose this property if you do not make your payments or satisfy other obligations for this loan.



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

In the future,

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

When an **Escrow Account** is not established

Sample Closing Disclosure
Page 4

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Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	

Adjustable Interest Rate (AIR) Table
Index + Margin
Initial Interest Rate
Minimum/Maximum Interest Rate
Change Frequency
First Change
Subsequent Changes
Limits on Interest Rate Changes
First Change
Subsequent Changes

Adjustable Payment (AP) Table when the principal and interest payment may change after consummation, but not because of a change to the interest rate.

Adjustable Interest Rate (AIR) Table when the loan's interest rate may increase after consummation.

Loan Calculations

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

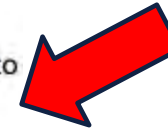


Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Other Disclosures

Appraisal

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



Contract Details

See your note and security instrument for information about

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

Liability after Foreclosure

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

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

Refinance

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

Tax Deductions

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

Sample Closing Disclosure

Page 5

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Contact Information

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

Unused columns may be removed and columns may be added. For example: If there are two real estate brokers representing the seller, a column may be added to identify that party and a column for a party not involved in the transaction may be deleted.

Sample Closing Disclosure Page 5

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilon.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789

The creditor, at its option, may include a line for the signatures of the consumers to **Confirm Receipt**. If the creditor includes a signature line to Confirm Receipt, the creditor must also include a statement that the signature only signifies receipt of the Closing Disclosure.

Sample Closing Disclosure Page 5

Source: http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

- (Video)

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: RECORD RETENTION

Record Retention – General Rule



Generally, creditors must retain:

- Evidence of compliance with 1026.19(e) and (f) disclosure requirements for three years after the later of the date of consummation, the date disclosures are required to be made, or the date the action is required to be taken. (1026.25(c)(1)(i))

TILA-RESPA INTEGRATED DISCLOSURE FINAL RULE: RECORD RETENTION (CONT.)

Record Retention – General Rule (continued)



Generally, creditors must retain:

Copies of the **Closing Disclosure** and all documents related to such disclosures, **for five years** after consummation.

(1026.25(c)(1)(ii))

See **Small Entity Compliance Guide**, sections 2.3-2.5; Preamble to Final Rule 78 FR 79902-03; see also (1026.19(e)(2)(i)(A); 1026.19(e)(3)(iv); 1026.19(f)(3)(ii))

TILA-RESPA INTEGRATED DISCLOSURE: RECORD RETENTION



Q: For seller Closing Disclosures provided on a separate document by the settlement agent pursuant to 1026.38(t)(5) and 1026.19(f)(4), are creditors required to collect and retain documents related to the seller that were provided only to the settlement agent?



YES, Creditors are obligated to retain a copy of completed CDs provided separately by a settlement agent to a seller.

INTRO: ELECTRONIC SIGNATURES



Signatures + advances in technology equal a new future for electronic signatures in our industry.

We also have some further work underway to improve the mortgage closing process. It has to do with electronic closing solutions known as “eClosings,” which can lead to more knowledgeable and empowered consumers and a smoother and more efficient process for everyone involved. The use of electronic documents can make it simpler and more convenient to achieve early delivery of the information – giving the consumer time to read the documents, consult with family members or professionals, and ask questions of the lender. It also allows for embedding links to educational materials, which will allow consumers to reference these materials while they are reviewing the loan documents both before and during the closing.

Shifting to an electronic process can also create more consistency and accuracy, since automated processes should make it easier to detect any discrepancies. We have heard repeatedly that errors and delays are a big source of frustration for consumers (as well as realtors), so anything that can be done to mitigate that problem is a welcome change.

By spurring the adoption of eClosings, we can also reduce costs. It is faster to send documents between lenders, investors, and other stakeholders electronically than by mail or other means of delivery. Time saved translates into tangible monetary benefits for lenders and more review time for consumers. So last spring we announced a pilot project to better understand the benefits and risks of eClosings. The goal of our pilot is to evaluate whether electronic closings can increase efficiency, expand consumer understanding, and minimize surprises at the closing table. We chose our participants last summer and look forward to analyzing the results of the project soon, which we suspect will be quite positive.

CFPB
remarks
May 12,
2015

THE ELECTRONIC SIGNATURE

"Electronic closing processes have the potential to reduce errors, limit unexpected surprises, and create more time and opportunity for consumers to review critical documents with the tools they need to make informed decisions,"

- CFPB Director Richard Cordray, January 2015.

BY RUSS GOULD

Senior director of product marketing, Kotax

April
2015
Scotsman
Guide

ARE WE FINALLY READY FOR E-SIGNATURES?


After 15 years, electronic filing has yet to emerge from the mortgage processing jungle

It was the promised ideal for electronic mortgages: a completely paperless electronic process from application and disclosures through underwriting, closing and delivery to the investor. Today, however, 15 years after President Clinton signed the Electronic Signatures in Global and National Commerce Act (E-SIGN), e-signatures are still a small part of the industry's volume.

Although many lenders have undertaken paperless initiatives and have successfully digitized portions of the loan lifecycle, the reality is that the mortgage industry has not fully realized the paperless benefits that e-signatures promise. The lengthy loan lifecycle, resistance to change and a lack of knowledge about e-signatures have kept paper in the mortgage industry despite a recent surge in green initiatives across the country. But now may be the perfect time for e-signatures to lead the way out of the paper-filled processing jungle.

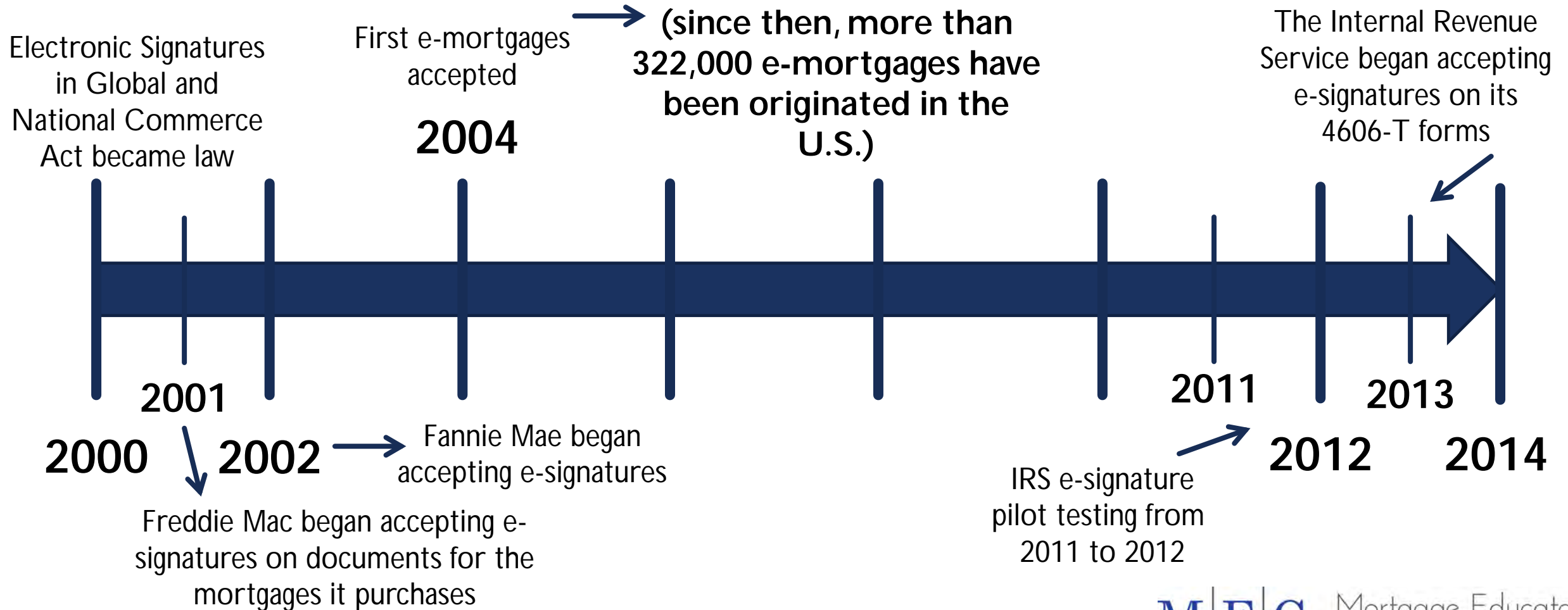
Illustration by Dennis Wunsch

Official Signature



X *D. Smith*

THE E-SIGN TIME LINE



ELECTRONIC SIGNATURES & CLOSINGS

Wording of FHA E-Sign Rule Confuses Industry

(By Austin Kilgore)

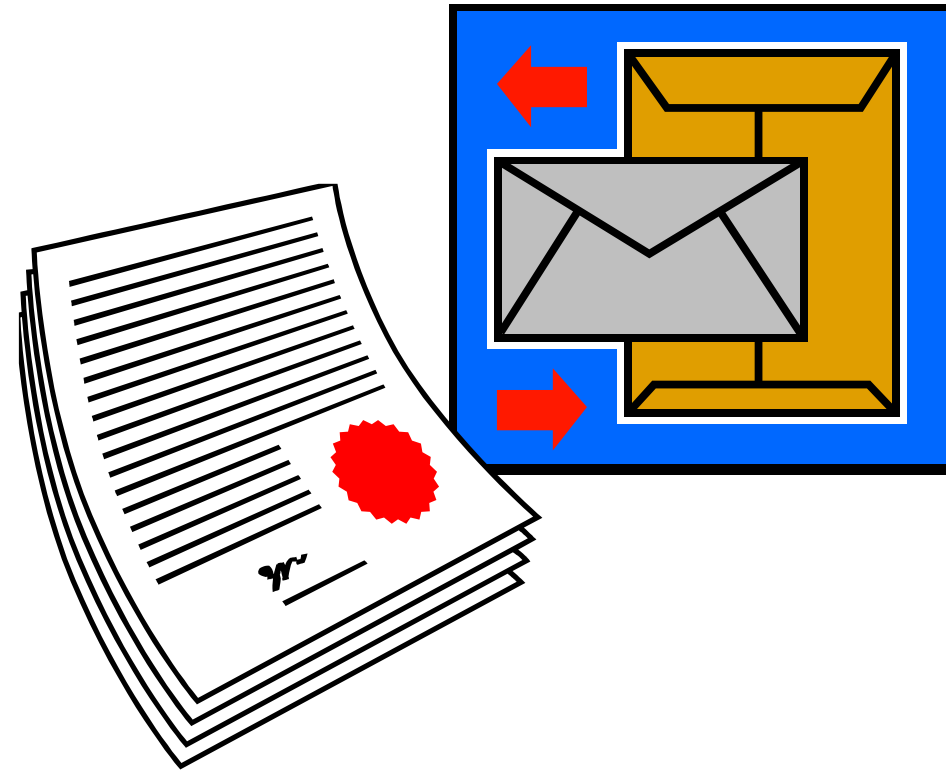
MAY 5, 2014



We will try to explain some of the more commonly misunderstood aspects of the E-Sign Rule.

TOPICS OF CONFUSION

- Tamper Proof Seal
- Industry Practice =
Tamper Evident Seal



WHAT'S HAPPENING WITH TRID AND E-SIGN

- “The idea behind releasing SmartCLOSE to a select group of clients for initial testing is that it will help us refine the feature set to ensure we provide the very best TRID closing portal,” says Dominic Iannitti, president and CEO of DocMagic. “The workflow and functionality is already incredibly intuitive and every screen is designed with simplicity in mind.”

MPA Article June 30, 2015

WHAT'S HAPPENING WITH TRID AND E-SIGN

- DocMagic's Audit Engine captures who changed what, what was changed, what you need to fix and why, and all of the electronic evidence to log and complete all transactions in full compliance. DocMagic reps and warrants transactions run through the system.

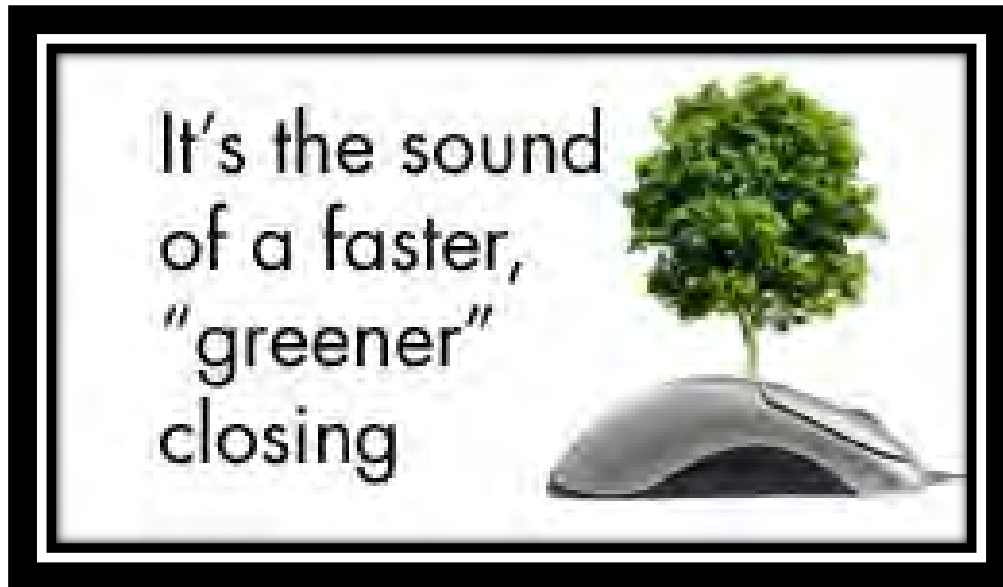
MPA Article June 30, 2015

TOPICS OF CONFUSION

The concept of an
electronic
"authoritative copy"



MOVING FORWARD WITH FHA'S E-SIGN RULE



Some lenders are already taking advantage of the new policy, despite the potential confusion about the rule's wording.

ALLOWABLE E-SIGN DOCUMENTS

- Insurance endorsements
- Servicing and loss mitigation
- Insurance claims and real estate owned property sales.
- E-signed promissory notes (a.k.a. "e-mortgages")*



**at the beginning of 2015.*

January 30, Mortgagee Letter 2014-03

“With the first Quick Close of an FHA loan, we have removed the barriers of acceptance of eClosings for the mortgage industry, which will have a tremendous impact on how we can better serve our ecologically conscientious customers in the future — regardless of the type of loan.”
said Nancy Pratt, director of eStrategy for Stewart Title. March 17, 2014



Mortgage banking company partners with CFPB for eClosing Pilot

by Donald Horne

| 24 Jul 2015



The eClosing pilot program, designed to test the effectiveness of providing homeowners with electronic files to better understand their closing documents, and streamline the closing process, has found another mortgage partner.

MPA Mortgage Company, Inc. recently partnered with the Consumer Financial Protection Bureau (CFPB) in their national eClosing pilot program – a program that presents homebuyers with their documents in electronic format via a secure link to an eSign portal three days before their actual signing appointment, which allows them more time to review their documents and prepare questions.

NEXT...



DEFINITION Non-Traditional Mortgage:

A mortgage other than a fully amortizing 30 year loan.



1% Low Start Rate

Stated Income

No Documentation Loans

100% Finance Available

Interest Only Loans

Debt Consolidation

SE HABLA ESPAÑOL

How many of you worked in this industry before 2007?

How many had difficulty getting loans approved after the QM/ATR rule was passed?

Will you go back to sub-prime?

WHAT IS A NON-QM LOAN?

- Any mortgage with **negative amortization**.
- Any mortgage with **interest only periods**.
- Any mortgage with a **term of more than 30 years**.

WHAT IS A NON-QM LOAN?

- A mortgage with points and **fees above 3 percent** (for loans over \$100,000).
- Most **mortgages with balloon payments**.
- Any mortgage **over 43 percent DTI ratio**.

WHY DO WE NEED NON-QM LOANS?

- Do we need Non-QM loans? Why or why not?
- Come up with a list of individuals that may have a difficult time obtaining QM financing?
- Are there any of these borrowers that should always be denied a mortgage or could there be an qualified exception to each?

QUESTION (S)

- How many people here originated a non-qm loan back in 2014?
- What about so far in 2015?
- Is anyone regularly originating non-QM loans today?

QUESTION

- What do you think about Non-QM loans?

NON-QM LOANS

There is a fair amount of optimism for the advantage of loans that do not necessarily qualify as Qualified Mortgages.



“On January 14, 2014, the House Subcommittee on Financial Services held a hearing entitled “How Prospective and Current Homeowners Will Be Harmed by the CFPB’s Qualified Mortgage Rule.” Four lender representatives and one consumer law non-profit testified about the necessity to consider changes to the QM rule.”



WHAT IS THE RISK OF ORIGINATING NON-QM LOANS?

~~Safe Harbor~~

~~Rebuttable Presumption~~

Full Burden of Proof

-
- The following slides review some of the current non-QM products available.
 - **Mortgage Educators and Compliance does not endorse any of the products, they are presented for educational purposes only.**
 - The list is not comprehensive although we tried to get a variety of offerings. Additional products may be available.

DISCLAIMER

COMPANY "A" NON-QM PRODUCTS INCLUDE:

- Alternative income verification for the self-employed, requiring only one year of tax returns.
- 50% LTV for up to \$4 million in borrowing for those with substantial assets, considerable equity and excellent credit.
- 65-80% funding on loans from \$250,000 - \$4 million for borrowers with a robust investment portfolio.

COMPANY "A" JUMBO LOANS

- 20% down payments to a purchase price of \$5MM
- Refinancing for loan amounts up to \$4MM, Extended lock periods
- Less restrictive asset requirements, No limit to cash out
- Availability to borrowers with unlimited financed properties
- Jumbo option with employer assisted second up to 90% CLTV
- Investment property purchase and refinance options

AltQM™ Comparison Matrix

NEW!
**AltQM™
Asset Qualifier**
High net worth borrowers

**AltQM™
Investor**
Experienced real estate investors

**AltQM™
Income**
Self employed borrowers

**AltQM™
Agency**
Multiple financed properties

**AltQM™
Jumbo**
Foreign Nationals

Income/Assets Used to Qualify	Verified Liquid Assets Only	Debt Coverage Ratio (DCR)	12 Months of Bank Statements	Full Documentation Required	Full Documentation Required
Minimum Credit Score	680	680	680	680*	680
Debt-To-Income Ratio (DTI)	Verified Liquid Assets Used to Qualify	DCR Used to Qualify	Allowed Up to 50%	Allowed Up to 50%	55% on Interest Only Loans (50% on fully amortizing loans)
Borrower Eligibility	US Citizens, Permanent Resident Aliens and Non Permanent Resident Aliens Allowed	US Citizens, Permanent Resident Aliens and Non Permanent Resident Aliens Allowed	US Citizens and Permanent Resident Aliens	US Citizens, Permanent Resident Aliens and Non Permanent Resident Aliens Allowed	Foreign National Allowed No Credit Score Required*
Interest Only (I/O)					
Cash Out Allowed	Up to \$500,000	Up to \$350,000	Primary Residence Up to \$350,000	Up to \$150,000	Up to \$500,000
Loan Amounts	Up to \$3M	Up to \$1M	Up to \$2M	Conforming & High Balance	Up to \$3M
ARMs	5/1, 7/1, 10/1	5/1	5/1, 7/1, 10/1	5/1, 7/1, 10/1	5/1, 7/1, 10/1
Residual Income Calculation	N/A	N/A	Required if DTI > 43%	Required if DTI > 43%	Required if DTI > 43%
Reserves (see guidelines for details)	6 Months (varies by loan amount)*	12 Months Minimum	6 Months (varies by loan amount)	6 Months (varies by loan amount)	6 Months (varies by loan amount)
Payment Shock Calculation	Required	N/A	Required	Required	Required
Maximum Points and Fees	3%	5%	3%	3%	3%
R/T Refi with non-purchase money 2nd seasoned at least 12 months. (TX 50(a)(6) not allowed)					
Foreclosure Seasoning Short Sale Seasoning See guidelines for further details	3 years vs. 7 years for standard Fannie Mae 2 years vs. 4 years for standard Fannie Mae (reduced waiting periods include Deed-in-Lieu)	3 years vs. 7 years for standard Fannie Mae 2 years vs. 4 years for standard Fannie Mae (reduced waiting periods include Deed-in-Lieu)	3 years vs. 7 years for standard Fannie Mae 2 years vs. 4 years for standard Fannie Mae (reduced waiting periods include Deed-in-Lieu)	3 years vs. 7 years for standard Fannie Mae 2 years vs. 4 years for standard Fannie Mae (reduced waiting periods include Deed-in-Lieu)	3 years vs. 7 years for standard Fannie Mae 2 years vs. 4 years for standard Fannie Mae (reduced waiting periods include Deed-in-Lieu)
*Additional Notes	*Additional Reserves Required. See Guidelines for Calculation. Owner occupied transactions only.	*No I/O in Illinois	*No I/O in Illinois	*680 score vs 720 for standard FNMA when borrower owns 5-10 financed properties and subject is second home or investment	*If a US credit report is available a 680 credit score is mandatory **No I/O in Illinois

AltQM™ CRITICAL GUIDANCE TIPS

Important Information You Need to Know... Before You Submit

AltQM™ ASSET QUALIFIER

5 tradelines, 3 open and active (and 2 may be closed) required and rated on the credit report for 24-months

12 months of consecutive statements are required for asset verification and large increases must be adequately sourced

Reserve requirement is in addition to the residual assets needed to cover debts for sixty (60) month period.

Gift Funds and Gift of Equity are not allowed

Cashout - 12 months ownership seasoning required, if less than 12 months LTV is based on the lesser of purchase price or appraised value

Business funds are not to be included

Foreign Nationals not allowed at this time

NOO properties require additional reserves and a Debt Coverage Ratio (DCR) requirement of 1.20

Payment shock considered; waived if LTV's of 65% or less

Guideline exceptions not considered at this time

AltQM™ INVESTOR

- Borrower must be an established investor (3 year history)
- History of owning, retaining and managing residential rental properties
- Gift Funds and Gift of Equity are not allowed
- Cashout: 12 months ownership seasoning required, if less than 12 months maximum 50% LTV
- S/E borrower may use business funds for reserve requirements but limited to 50% of account balance, borrower must own 100% of the business
- Foreign Nationals not allowed at this time
- All properties must assume a 20% vacancy/expense factor
- Debt coverage Ratios:
 - Purchase 1.00
 - Rate and Term 1.00
 - Cash-Out 1.25

AltQM™ PROGRAM EXCEPTIONS

- Exceptions to published guidelines are not being considered at this time
- Keep us posted on scenarios that are outside guidelines for consideration of possible future enhancements

AltQM™ INCOME

- Bank Statements; **Review Prior to Sending**
 - NSF's are allowed
 - Month end balances should be consistent, decreasing balances need satisfactory explanation
 - Deposits month over month should be consistent. Inconsistent deposits must be explained and may require additional documentation.
 - Additional party on bank statement; cannot have additional party on account
 - Remember, it's 12 months of personal statements and 3 months of business if borrower maintains separate accounts
- 1099 borrowers must have multiple sources of 1099 income
- Borrower must have 25% or greater ownership in his or her business
- DO NOT send in 1040's, 1065's, 1120's, K-1's, 4506-T, etc. if included the loan will result in counter offer to a different program if available
- Gifts or Gifts of Equity are not allowed
- Payment Shock; Cannot exceed 50% if borrowers currently rent, or 100% if borrowers have prior mortgage history
- Reserve Requirements
 - Loans to \$417,000/ 6 months required
 - Loans \$417,001- \$625,000/ 9 months required
 - Loans \$615,001-\$1,000,000/ 12 months required
 - Loans \$1,000,001- \$2,000,000/ 18 months required
 - Additional 2 months PITIA required for each NOO property to a max of 36 months

AltQM™ AGENCY

- For 2-4 units with credit scores between 680-719, max DTI is 43%
- Borrowers must have a history of renting or owning within the past 2 years
- Reserve Requirements
 - Loans to \$417,000/ 6 months required
 - Loans \$417,001- \$625,000/ 9 months required
 - Loans \$615,001 and greater/ 12 months required
 - Additional 2 months PITIA required for each NOO property to a max of 36 months
- Payment Shock; Cannot exceed 50% if borrowers currently rent, or 100% if borrowers have prior mortgage history
- Borrower must be employed in the US for the past 24 months
- Maximum number of financed residential properties is 10

AltQM™ JUMBO

- Borrowers must have a history of renting or owning within the past 2 years
- Foreign Nationals; Limited to 2nd Homes and NOO only (no primary allowed)
- Foreign Nationals; Reduced all LTV/ CLTV's by 10%
- Foreign Nationals; See Credit Requirements
- Foreign Nationals; Must have US bank account
- Payment Shock; Cannot exceed 50% if borrowers currently rent, or 100% if borrowers have prior mortgage history (see guides for Foreign National payment shock rules)
- Reserve Requirements
 - Loans to \$417,000/ 6 months required
 - Loans \$417,001- \$625,000/ 9 months required
 - Loans \$615,001-\$1,000,000/ 12 months required
 - Loans \$1,000,001- \$2,000,000/ 18 months required
 - Loans \$2,000,001- \$3,000,000/ 24 months required
 - Additional 2 months PITIA required for each NOO property to a max of 36 months
 - Gift funds may not be used for reserves
- Must have 2 years continuous employment in the same line of work

COMPANY "C"

Credit score above 550 with:

- No more than 1 mortgage late payment in last 12 months
- At least 1 year since last foreclosure or bankruptcy
- At least 6 months since a short-sale or deed-in-lieu
- No more than \$1,500 in delinquent balances or in collections
- No more than 4 public records (such as judgments, liens, etc.)
- **No more than 30 credit inquiries in the last 6 months**

COMPANY "C"

- **DTI up to 50% on fully verified income with:**
 - At least 25% down payment
 - 6+ monthly payments (PITI) in reserve

- **1 Day out of Foreclosure, Short Sale or Deed-in-Lieu**
- **Up to 80% LTV**
- **Credit Scores Down to 500**
- **Mortgage Lates Last 12 Months OK**
- **Non Warrantable Condos OK**
- **Jumbo Loans Down to 500 Credit Score**
- **100% Gift Funds Allowed**
- **Foreign National Program – Non-US Credit Accepted**
- **No Pre-Payment Penalty on Owner Occupied or Second Home**
- **Bank Statement Program for Self-Employed Borrowers**
- **No Maximum Properties Financed – Can Close in LLC**
- **Investment Property Can Use Subject Cash Flow for Income**
- **Asset Depletion Available – Can Use Assets for Income**
- **Loans up to \$2 Million**
- **No Lender Points Charged**

Company "D"

Company "D"

Mortgage Solutions for Agency Fall-Out

Non-Prime Program

Credit scores starting at 500

Up to 80% LTV, up to 50% DTI

Bank statement program for self-employed borrowers

Loans up to \$1 million

Owner-occupied and second homes

Non-warrantable condominiums

30-year fixed – no pre-pay penalty

Company "D"

Mortgage Solutions for Agency Fall-Out

Recent Housing Event Program

1 day out of short sale or foreclosure

Credit scores starting at 500

Up to 80% LTV, up to 50% DTI

Bank statement program for self-employed borrowers

Loans up to \$1 million

Owner-occupied and second homes

Non-warrantable condominiums

30-year fixed – no pre-pay penalty

How is a Company Different from Hard-Money Lenders?

"D"

Hard-Money Lenders	Services	Company D
NO	Owner-Occupied	YES
65%	Max LTV	80%
YES	Pre-Payment Penalties	NO
YES	Points	NO
17.99	Maximum Rates	9.99
Varies	Minimum Rates	7.49
Most of the time	High Cost	NO
Some of the time	Credit Reporting	YES
YES	Balloon Loan	NO

Company "D"





Let's **Better** understand your client's income.
Let's make **Better** common sense underwriting decisions.
Let's be **Better** at forgiving the past for a promising future.

Servicing...**Better** Non-Prime

- Owner-occupied financing down to 500 credit scores
- No seasoning for short sale, bankruptcy, or foreclosure
- No prepayment penalties, reserves or 4506Ts
- No reserve requirements
- Up to 85% LTV — NO PMI
- Up to \$2 million loan amounts
- Personal or business bank statement income programs up to 85% LTV
- Make -sense underwriting
- Ability-to-repay compliant

Company "E"

M|E|C

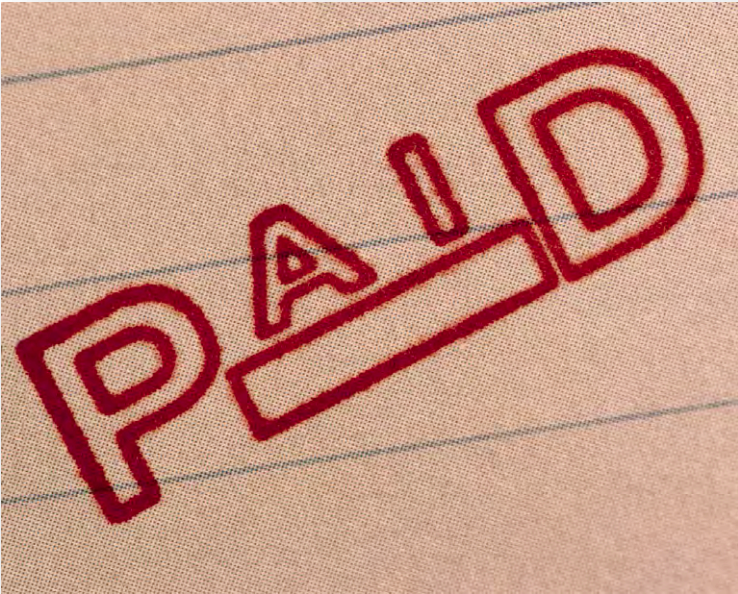
Mortgage Educators
and Compliance



WHAT ABOUT ABILITY TO REPAY?



DODD FRANK AND STATED INCOME



"A creditor making a residential mortgage loan shall verify amounts of income or assets that such creditor relies on to determine repayment ability..."

-Dodd-Frank Wall Street Reform and Consumer Protection Act,
Section 1411

LOANS EXEMPT FROM ABILITY TO REPAY REQUIREMENTS

- Open-end credit plans (HELOCs),
- Time-share plans,
- Reverse mortgages,
- Temporary / bridge loans with terms of 12 months or less,
- A construction phase of 12 months or less (with possible renewal) of a construction-to-permanent loan,
- Consumer credit transactions secured by vacant land

HOW DO I DETERMINE ATR?

http://files.consumerfinance.gov/f/201411_cfpb_atr-qm_small-entity-compliance-guide.pdf page 21

ATR UNDERWRITING GUIDELINES FOR ALL LOANS

1. Current or reasonably **expected income** or assets (other than the value of the property that secures the loan) that the consumer will rely on to repay the loan.
2. Current **employment** status (if you rely on employment income when assessing the consumer's ability to repay).

ATR UNDERWRITING GUIDELINES FOR ALL LOANS

- 3. Mtg. payment for this loan.** You calculate this using the introductory or fully-indexed rate, whichever is higher, and monthly, fully-amortizing payments that are substantially equal.
- 4. Pmt. on any simultaneous loans** secured by the same property.
- 5. Payment for taxes & ins.** that you require the consumer to buy, & certain other costs related to the property such as HOA or ground rent.

ATR UNDERWRITING GUIDELINES FOR ALL LOANS

6. **Debts**, alimony, and child-support obligations.
7. **Monthly debt-to-income ratio** or residual income, that you calculated using the total of all of the mortgage and non-mortgage obligations listed above, as a ratio of gross monthly income.
8. **Credit history.**

REMEMBER:

- When determining ATR, you have to verify only the income or assets used to qualify the consumer for the loan.
- When the consumers' applications list debt that does not show up on their credit reports, you must consider that debt in assessing either the consumers' debt-to-income ratios or residual income, but you do not need to independently verify that debt.

WHAT HAPPENS IF A CONSUMER HAS TROUBLE REPAYING A LOAN I ORIGINATE UNDER THE GENERAL ATR RULE?

WHAT HAPPENS IF MY ORGANIZATION VIOLATES THE REGULATION?

3 years of finance charges and fees as well as the consumer's legal fees.

CASE STUDY – SELF EMPLOYED BORROWER

- Your borrower has owned his own home-based business for years. His sole source of income has been from his self-employment. He has always done well for himself and he has been able to make every payment on his current mortgage. He has found a house that will be better for his needs and he would like to make the move.
- With the equity from the sale of his current home, his new mortgage payments should stay close to the previous ones.

CASE STUDY – SELF EMPLOYED BORROWER

- Unfortunately, your borrower has written off a substantial amount over the past few years, in an attempt to minimize his taxes, it doesn't appear your borrower will be able to qualify for the new loan under the current QM guidelines.
- What other information would you like to know about this borrower, credit score?

CASE STUDY – SELF EMPLOYED BORROWER

- You are still leery when it comes to this borrower, because you don't want to lose the protections that come from the QM loans, you decide to pull his credit and the middle score is an 804.
- Has anyone here had to turn someone like this away because they were only doing QM loans?
- Is there a place for Non-QM?

CASE STUDY – SELF EMPLOYED BORROWER

- What will you do for this borrower?
- Do you currently have a program that could help this individual?
- Can you think of other “great” borrowers that might be deemed too risky because they don’t fit into the QM guidelines?



ETHICS

FRAUD, CONSUMER PROTECTION AND FAIR LENDING



OUR FIRST TOPIC



According to the 2012 *Report to the Nation on Occupational Fraud and Abuse*, the typical organization loses 5% of its revenues to fraud each year.

In the mortgage industry, there are many forms of fraud. We have separated fraud into two main categories: Schemes to OBTAIN a mortgage and schemes to RETAIN a mortgage (in other words: avoid foreclosure).

FRAUD

**ETHICS: FRAUD, CONSUMER PROTECTION & FAIR
LENDING**

TERMS TO KNOW



Loan Fraud:

Purposely giving incorrect information on a loan application in order to better qualify for a loan.

May result in civil liability or criminal penalties.

FOR SALE ON CRAIGSLIST



“Buying a home and need: Proof of income, proof of residence, bank statements, W-2 forms, utility bills, paystubs, doctor’s notes, credit reports, and social security cards/numbers?”





Don't have these documents? NO PROBLEM!*

text [REDACTED] for novelty documents and i will reply immediately

my prices start at \$25

let me know what you need and i can have your document to you in 15 to 20 minutes.

proof of income, proof of residence, bank statements, w2 forms, utility bills, paystubs, doctors notes, i can modify any document you provide me with, credit reports, social, and more.

documents are not for illegal use and are for entertainment use only.

stubs start at \$30

bank statements start at \$85

w2 forms start at \$35

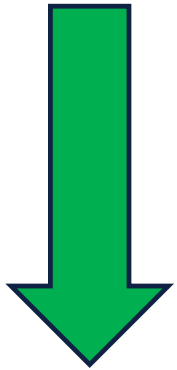
doctors notes start at \$40

utility bills start at \$30

document modifications start at \$30 and up

if you have more than three or more documents to order at one time i can give you a great deal. i am very reliable, I have been doing this for three years already.

- do NOT contact me with unsolicited services or offers



Actual Craigslist Ad!
(Viewed May 5, 2014)

[HTTPS://LOSANGELES.CRAIGSLIST.ORG/SFV/APA/4464952802.HTML](https://losangeles.craigslist.org/sfv/apa/4464952802.html)
VIEWED 5/12/2014



YOUR EMPLOYER NAME
YOUR EMPLOYER ADDRESS
YOUR EMPLOYER ADDRESS

Advice No. 9091939
Pay Date: 1/20/14

Deposited to the account(s) of YOUR NAME
Account No. *****
Deposit Amount \$ 1,698.89

*** NON-NEGOTIABLE ***

YOUR EMPLOYER NAME YOUR EMPLOYER ADDRESS YOUR EMPLOYER ADDRESS			EARNING STATEMENT			YOUR NAME YOUR ADDRESS YOUR ADDRESS		
EMPLOYEE NO. YOUR	EMPLOYEE NAME YOUR NAME	EMPLOYEE ADDRESS YOUR ADDRESS	PERIOD END 1/20/14	PERIOD START 1/15/14	ADVICE DATE 1/20/14			
EARNING	HOURS	RATE	CURRENT AMOUNT	DEDUCTIONS	CURRENT AMOUNT	YEAR TO DATE		
WILLIAMS	36	SALARY	1,698.89		1,698.89	1,698.89		
CURRENT AMOUNT		CURRENT DEDUCTIONS		YTD NET PAY		ADVICE NO.		
\$ 1,698.89		\$ 0.00		\$ 1,698.89		00000000		

YOUR EMPLOYER NAME
YOUR EMPLOYER ADDRESS
YOUR EMPLOYER ADDRESS

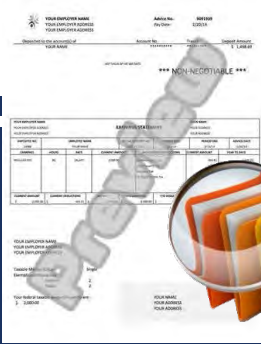
Taxable Marital Status Single
Exempt from military service 2

Your federal tax liability amount \$ 2,000.00

YOUR NAME
YOUR ADDRESS
YOUR ADDRESS

Craigslist Ad Product Description

"My prices start at \$25. Let me know what you need and I can have your document to you in 15 to 20 minutes. Documents are not for illegal use and are for entertainment use only."



Craigslist Ad Product Description (Continued...)

"If you have more than three or more documents to order at one time I can give you a great deal I am very reliable,

I have been doing this for three years already. Text XXX-XXX-9279 for novelty documents and I will reply immediately.

Do NOT contact me with unsolicited services or offers."



COMPANY NAME
COMPANY ADDRESS
ECONOMY CA 90041

Address No. 88888888
Pay Date: 12/26/13

Deposited to the account of JOHN DOE

Amount \$1,551.90

*** NON-NEGOTIABLE ***

LABORERS STATEMENT

EMPLOYEE NO.	EMPLOYEE NAME	EMPLOYEE ID	SOCIAL SECURITY NO.	EMPLOYER NO.	EMPLOYER ID	EMPLOYER NAME	EMPLOYER ADDRESS	EMPLOYER CITY	EMPLOYER STATE	EMPLOYER ZIP
12345678	JOHN DOE	123456	123-45-6789	88888888	12345678	CHARTER COMMUNICATIONS	12345 STREET BLVD	ECONOMY	CA	90041

DESCRIPTION	AMOUNT	DATE	CURRENT ACCOUNT	TRAILING BALANCE
WAGES	1,551.90	12/26/13	1,551.90	1,551.90
FEDERAL TAX	(44.11)			1,507.79
STATE TAX	(16.22)			1,491.57
CITY TAX	(96.37)			1,395.20

COMPANY NAME
COMPANY ADDRESS
ECONOMY CA 90041

Taxable Marital Status: Single

Federal Exemption: 3

State Exemption: 3

Your Federal taxable wages this period are: \$ 1,071.39

JOHN DOE
2018 STREET BLVD
ECONOMY CA 90041



Costs

Stubs start at \$30

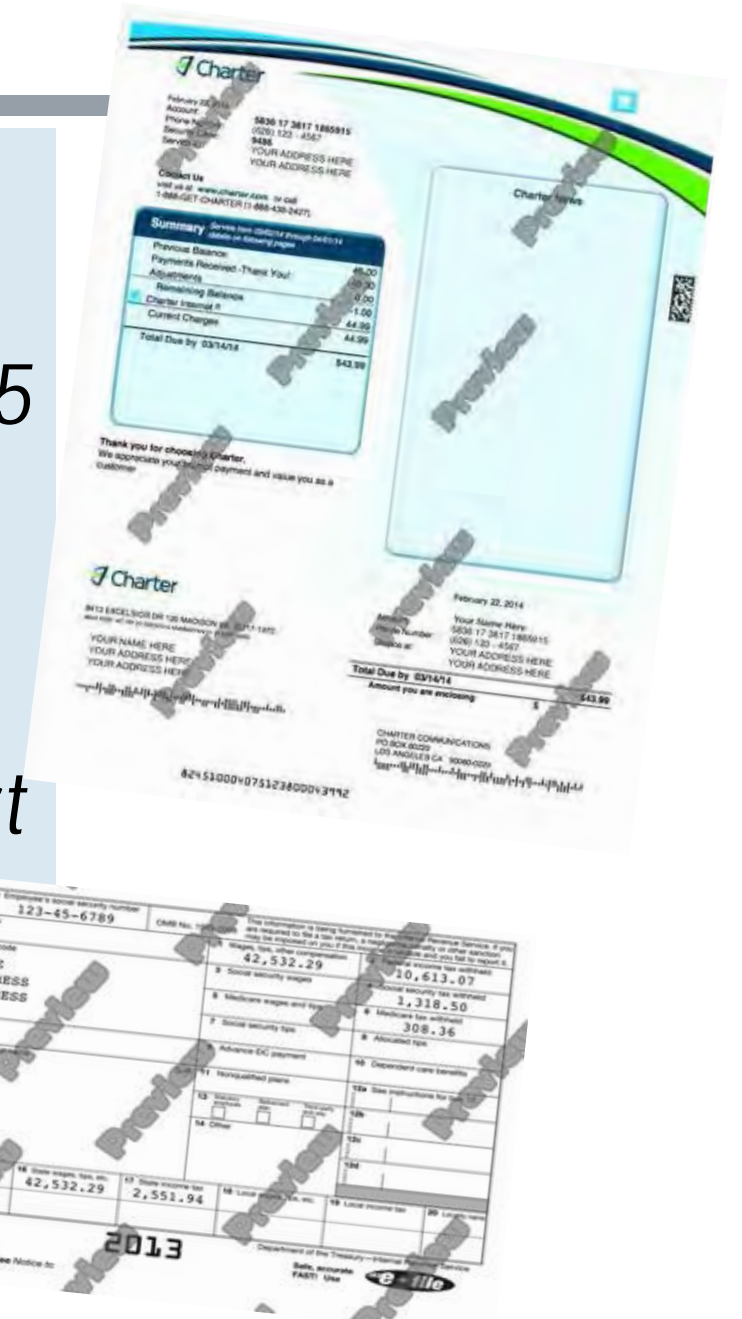
Bank statements start at \$85

W2 forms start at \$35

Doctor's notes start at \$40

Utility bills start at \$30

Document modifications start at \$30



Form W-2 Wage and Tax Statement 2013

Employer's identification number (EIN): 12-3456789

Employee's social security number: 123-45-6789

Employer's name, address, and ZIP code: YOUR EMPLOYER NAME, YOUR EMPLOYER ADDRESS, YOUR EMPLOYER ADDRESS

Employee's first name and other: YOUR NAME, YOUR ADDRESS, YOUR ADDRESS

Employee's state ID number: OR 1234567-8

Wages, tips, and other compensation: 42,532.29

Medicare wages and tips: 42,532.29

Medicare tax withheld: 1,318.50

Social security tax: 308.36

Advance-EC payment: 0.00

Retirement plan: 0.00

Other: 0.00

State income tax: 2,551.94

Local income tax: 0.00

Other: 0.00

Form W-2 Wage and Tax Statement 2013

Copy C - For EMPLOYER'S RECORDS (See Notice to Employer on the back of Copy B.)

[HTTPS://LOSANGELES.CRAIGSLIST.ORG/SFV/APA/4464952802.HTML](https://losangeles.craigslist.org/sfv/apa/4464952802.html)
VIEWED 5/12/2014

Another Example of Document Forgery...





A broker submitted a file that included 2 paystubs. The loan originator was "Robert Smith." Between the two paystubs copies was this handwritten note.

Bob,

- ✓ *Pay check numbers should be several hundred numbers apart not in sequential order*
- ✓ *Per pay period income and deductions are the same but the YTD figures need to increase*
- ✓ *Don't forget to include the company name*



CASE STUDY

IN THE NEWS:

“DEFENDANTS INDICTED FOR DEFRAUDING \$13.5 MILLION FROM 3,500 VICTIMS IN LARGEST LOAN MODIFICATION SCHEME EVER PROSECUTED IN THE NATION”*

May 22, 2014

[HTTP://WWW.ORANGECOUNTYDA.COM/HOME/INDEX.ASP?PAGE=8&RECORDID=3991
&RETURNURL=INDEX.ASP%3FPAGE%3D8](http://www.orangecountyda.com/home/index.asp?page=8&recordid=3991&returnurl=index.asp%3fpage%3d8)



SANTA ANA – An indictment was unsealed today against seven defendants, including an attorney, for **defrauding over \$13.5 million from over 3,500 victims** in the largest loan modification scheme ever prosecuted in the nation.

-Orange County, CA District Attorney



MORTGAGE FRAUD CASE STUDY: Inexperience Isn't a Defense

BY CHIP CUMMINGS



Chip Cummings

One of the problems with fraud is that success breeds greed. The profits are too good, and the money spends too easy.

Even though it was ten o'clock in the morning, it was still unusual to hear a knock at the front door. Sonya opened it slowly, and was surprised to find two sharp dressed men on the porch.

"Good morning, are you Sonya?"

"Yes, I am," she replied.

"We're with the FBI, and we'd like you to come with us..."

Such was the start of a 3-year nightmare for Sonya, in a twisted tale of mortgage fraud that involved over a dozen loans, and millions of dollars in losses. Well, it actually started long before that.

Sonya was a processor, hired directly by Charles, an experienced loan originator working for a "set back" operation back in 2003. Although she had no experience, Charles was quickly able to teach her the

basics of putting a loan package together, and she loved the fast pace of the new job.

Charles was a top producer, working exclusively with single-family investment properties, and some seemingly experienced rehabilitation specialists. Investors would purchase properties, fix them up, and then sell them to new first-time homebuyers. Charles would help the new families obtain the FHA mortgage, and even arrange for gifts or creative down-payment scenarios to help them get into the new home for little or no money down...

You can see where this is headed. Unfortunately, Sonya didn't.

The Scheme

Under the premise of "prepaying for repairs," the Seller of the property would advance certain funds to the borrower prior to

closing. For convenience, Charles and the Seller would document this as "gift funds," and coordinate with the appraiser to obtain an inflated "as is" appraisal. After he closing, some additional funds were promised to the borrower so they could complete the repairs, and the Seller would walk away with the profit. Charles earned a nice commission, and the repairs eventually got done so the appraiser was covered.

Things seemed to be going so well that Charles even helped the sellers out by participating in transactions as an equity partner (under the guise of an LLC) and would take a percentage of the profits after the deal closed.

Everyone was happy. Investor sellers were happy, new homebuyer borrowers were happy, Sonya was busy and earning nice bonuses, and Charles was living a comfortable life. Maybe too comfortable.

But there's always a catch...

The Catch

One of the problems with fraud is that success breeds greed. The participants eventually want a bigger slice of the action or to build up the operation to generate more deals. The profits are too good, and the money spends too easy.

But there was one catch that Charles didn't plan on — uncompleted repairs.

The city housing commission cited one of the property owners for safety violations. The homeowner who had financed the property with Charles had turned it into a rental property, and the tenants had complained about the condition of the home. Upon inspection, the city decided that there were severe safety issues, and subsequently condemned the property.

With no rental income, the mortgage payments stopped, and the loan went into foreclosure. When investigating the loan, it was quickly discovered that stated repairs were never completed, the appraisal was fraudulent, and the true value was a fraction of what everyone thought it was. But that was just the tip of a very large iceberg that was about to come crashing down.

The homeowner filed a complaint stating that the seller was supposed to complete and pay for the repairs, but of course didn't. Loan files with similar problems and patterns became evident. Crisis litigation followed, but as everyone looked around, nobody

was there to pick up the pieces.

With the turn of the market, values had gone down, investors became hesitant, buyers became fearful, and mortgage offices shut down. At this point, even Sonya had been working at a health club for the past year, and hadn't seen or talked to Charles in years.

The Charges

The interview at the FBI office didn't go well for Sonya. She was asked about her time at the mortgage company, her processing duties, and about her experience. Sonya indicated that she hadn't had any formal training or experience in the mortgage industry, but that she had enjoyed her time working with Charles. She confirmed that she had worked on many loan files for him, and that he seemed like an experienced investor and finance expert. As a processor, her signature was on many of the documents.

Sonya was then charged with multiple felony counts, including mail fraud, wire fraud, and conspiracy to commit fraud. She was now looking at several years in federal prison.

As a Certified Fraud Examiner, I became involved with her defense team in trying to find out what really happened, and what Sonya knew — or didn't know. As I pored over stacks of loan files, her inexperience became obvious, and I could see that Charles was running the show. He had trained her a specific way, and she knew nothing different — and certainly didn't question him on the operation.

But unfortunately for Sonya, inexperience isn't a plausible defense. There were plenty of warning signs, and looking back, she knew something didn't feel right. But what could she have done? What should have tipped her off to this scheme? How could the lender have better protected itself? And was she really looking at hard prison time?

The "Red Flags"

In analyzing the loan files, there were several warning signs that should have alerted Sonya that something was wrong. Loan processors are a gateway for lenders to detect and prevent fraud, and should be extra careful in documenting unusual circumstances, similar patterns involving same parties in a transaction, and not afraid to ask questions when things are not clear. Some of the red flags that Sonya could have questioned included:



Mortgage
Compliance
Magazine
June 2014

CASE STUDY – MORTGAGE FRAUD ARTICLE SUMMARY



In this real life example of the principle that “Inexperience isn’t a defense,” the writer walks you through the not-uncommon example of how one woman, trained as a processor, was recruited by a man who had “experience and drive” and who offered her a way to make a good living and help others in the process.

GOOD IDEA RIGHT?...

CASE STUDY – MORTGAGE FRAUD ARTICLE SUMMARY (CONT.)



Unfortunately, when **you modify 3rd party documents** (appraisals) **and document funds spent for home improvements that were never completed**, someone is eventually going to notice. So was the case with this woman, while she was earning a nice living **she ignored her better instincts** that her new boss was up to something **and unfortunately paid the price.**

CASE STUDY – MORTGAGE FRAUD ARTICLE SUMMARY (CONT.)



She had become an unintended co-conspirator and spent the next three years in a legal defense battle.



CASE STUDY QUESTION



What can we as mortgage professionals learn from this individual's experience?

What sorts of "red flags" should have alerted her to a problem with the way business was being conducted?



CASE STUDY APPLICATION – **EARLY WARNING SIGNS**

- Multiple transactions with the same investor (borrower) within a short period of time.
- Similar structures “Gift Letters” on multiple transactions with the same parties.
- Agreements for advance “repairs” or “payments” to a buyer prior to closing.



CASE STUDY APPLICATION – **EARLY WARNING SIGNS (CONTINUED)**

- Any agreements outside of closing.
- The loan originator involved as a “silent partner” on transactions with payments prior to or after closing.



CASE STUDY APPLICATION – **RED FLAGS**

- Identifying similar parties to multiple transactions
- Gift letter verification procedures
- Internal reviews
- On-site branch audits, vendor due diligence and agreements, with compliance checks and certifications

TERMS TO KNOW

Mail and Wire Fraud is:



Any fraudulent scheme to intentionally deprive another of property or honest services via mail or wire communication.

It has been a federal crime in the United States since 1872.

TERMS TO KNOW

Conspiracy to Commit Fraud means:



An agreement between two or more people to commit an illegal act, along with an intent to achieve the agreement's goal. Most U.S. jurisdictions also require an overt act toward furthering the agreement.



FOR IMMEDIATE RELEASE:

July 23, 2014

Both the Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC) are announcing recent action we've taken against companies and individuals that took advantage of underwater homeowners looking for foreclosure relief.



Foreclosure Relief Fraud: **CASE #1**



One of the lawsuits filed by the Bureau was against Clausen & Cobb Management Company, Inc., its owners, Alfred Clausen and Joshua Cobb, and their business associate, attorney Stephen Siringoringo. Their joint operation allegedly charged initial fees ranging from \$1,995 to \$3,500, in addition to monthly fees of \$495, to thousands of California homeowners in distress.

[HTTP://WWW.CONSUMERFINANCE.GOV/NEWSROOM/PREPARED-REMARKS-OF-CFPB-DEPUTY-DIRECTOR-STEVE-ANTONAKES-ON-THE-MARS-ENFORCEMENT-ACTION-PRESS-CALL/](http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-deputy-director-steve-antonakes-on-the-mars-enforcement-action-press-call/)

Foreclosure Relief Fraud: **CASE #2**



The second lawsuit was filed against The Mortgage Law Group (TMLG), the Consumer First Legal Group, and their principals Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford. The suit alleges that the two groups took in over \$19.2 million in fees from distressed homeowners nationwide in just two years.

[HTTP://WWW.CONSUMERFINANCE.GOV/NEWSROOM/PREPARED-REMARKS-OF-CFPB-DEPUTY-DIRECTOR-STEVE-ANTONAKES-ON-THE-MARS-ENFORCEMENT-ACTION-PRESS-CALL/](http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-deputy-director-steve-antonakes-on-the-mars-enforcement-action-press-call/)

Foreclosure Relief Fraud: **CASE #3**



The third lawsuit was filed against the Hoffman Law Group. Since April 2012, the Hoffman Law Group enterprise has allegedly accepted millions of dollars in illegal advance fees, which begin with an upfront fee of \$6,000 and a \$495 monthly maintenance fee thereafter. Because the enterprise's conduct was ongoing and the CFPB believed consumers were going to be harmed, a court order was received, appointing a receiver to take over the enterprise's operations, freezing their assets, and prohibiting the illegal conduct.

[HTTP://WWW.CONSUMERFINANCE.GOV/NEWSROOM/PREPARED-REMARKS-OF-CFPB-DEPUTY-DIRECTOR-STEVE-ANTONAKES-ON-THE-MARS-ENFORCEMENT-ACTION-PRESS-CALL/](http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-deputy-director-steve-antonakes-on-the-mars-enforcement-action-press-call/)

MAY 29 2015

CFPB and Florida Attorney General Obtain \$27.7 Million Judgment Against Foreclosure Relief Scam Companies

Court Enters Judgment Against the Hoffman Law Group and Affiliates for Deceiving Consumers and Collecting Illegal Advance Fees; Individuals Involved to Auction Jewelry, Watches to Pay Redress

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau and the State of Florida were granted a final judgment against the Hoffman Law Group and corporate affiliates accused of using deceptive marketing practices and scamming distressed homeowners into paying illegal advance fees. Working together, five companies tricked consumers into paying millions of dollars in illegal upfront fees to join frivolous lawsuits that the companies falsely claimed would pressure banks to modify their loans or provide foreclosure relief. The court found the corporate defendants liable for \$11,730,579 – the full amount of illegal fees paid by consumers – and ordered them to pay a \$10 million civil penalty, in addition to penalties to the State of Florida.



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Need our logo? You can find it here.

Three face decades in prison for multimillion-dollar modification fraud

by Ryan Smith

15 Jun 2015



Three Californians have been convicted for their roles in a mortgage modification scam that bilked victims out of more than \$7 million.

The three were associated with a telemarketing business that operated under a variety of names, including 21st Century Legal Services. According to Christy Romero, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the business scammed more than 4,000 homeowners across the country, many of whom lost their homes to foreclosure.



“The defendants’ sole goal was getting money from homeowners, and they did and said whatever it took to make that happen,” Romero said. “SIGTARP and our law enforcement partners will put an end to schemes that prey on struggling homeowners by falsely claiming to be associated with TARP’s housing programs, and perpetrators of such schemes will be brought to justice for their crimes.”

“Members of the conspiracy preyed upon homeowners who were in desperate financial straits by making promises they had no intention of keeping,” said Acting United States Attorney Stephanie Yonekura. “The impact on victim homeowners across the country was severe, and it’s gratifying to see justice served in this case.”

The three defendants are scheduled to be sentenced in August. George faces up to 170 years in federal prison, Buck up to 60 and DiRoberto up to 90. The guilty verdicts bring the number convicted in connection with 21st Century up to 11.

SUGGESTIONS

Report all illegal activities, compliance violations, and unresolved suspicions.

You are either part of the problem or part of the solution!

CASE STUDY

- “Sam” owned multiple properties. He purchased distressed properties from 2004 until 2010. On either the day of purchase or within the first week, **“Sam” would resell the property to a “credit partner” at an increased price.**
- “Sam” kept the proceeds. Any problem so far?

CASE STUDY

- These “credit partners” were recruited by “Sam” because they had good credit and were willing to sign documents. The partners never intended to live in the properties or make any mortgage payments. In exchange for helping him get the mortgages, “Sam” would pay the down payment, mortgage, and pay the “credit partners” a commission from his proceeds.

CASE STUDY

- “Sam” also facilitated the securing of mortgages, many from FDIC-insured lenders, based on false information about the borrowers’ income, employment, and assets. Sam instructed the “credit partners” to deed the properties back to him or companies under his control so that he could flip them again to other “credit partners” at increased prices, thereby skimming the equity.

CASE STUDY

- “Sam” failed to make mortgage payments as promised, and each of the properties ultimately went into foreclosure. He used the proceeds from his real estate flipping scheme to fund a lavish personal lifestyle. Agents identified more than 20 homes involved in the scheme. What do you think should happen to Sam?
- He faces up to 30 years in federal prison on each count. “**Sam**” was indicted on May 13, 2014. His sentencing hearing is scheduled for May 5, 2015.

TRANSITION TO CONSUMER PROTECTION

Predatory Lending Defined:

“What we take it to mean is [a situation where] I make a loan to you that reduces your expected welfare,”

-David K. Musto, finance professor at Wharton



CONSUMER PROTECTION

ETHICS: FRAUD, CONSUMER PROTECTION, & FAIR
LENDING

QUESTION: SUBPRIME LENDING BUST



What were some of the characteristics of subprime loans during the subprime lending boom?

How is the old sub-prime different from the Non-QM we just discussed?

What will you do differently?

ANSWER: SUBPRIME LENDING BUST

- High fees and high interest rates.
- ARM loans with low “teaser” rates leading to payment shock.
- Oppressive terms and features poorly understood by borrowers.
- Interest-only and pay-option ARM's.
- Loans issued without verifying income.

ANSWER: SUBPRIME LENDING BUST

SUMMARY:

Hundreds of billions of dollars of subprime loans were issued and securitized, most of them over-priced and lacking proper underwriting or the Ability to Repay (ATR).

- High
- ARM
- Opp
- Inter
- Loan

shock.
orrowers.

SO THE CFPB WAS CREATED



"Hello. My name is Elizabeth Warren.* Special Assistant to the President for the Consumer Financial Protection Bureau." Now Senator Warren, D-Mass is on the Senate Banking Committee

*not actually Elizabeth Warren

“Disclosures give consumers the power to make informed financial decisions, and buying a house is among the biggest financial decisions most people ever make, The CFPB will continue to take action against companies that attempt to modify disclosures and keep consumers in the dark.”

- CFPB Director Richard Cordray



CASE STUDY – REALTYSOUTH



RealtySouth's preprinted purchase contracts that its agents provided to homebuyers, either explicitly directed or suggested that title and closing services were to be conducted by its affiliate, TitleSouth.



CASE STUDY – REALTYSOUTH



Is that okay?

What disclosures are necessary to use affiliate businesses?

What laws apply?



CASE STUDY – REALTYSOUTH (CONT.)



The disclosure RealtySouth gave consumers did not comply with the law; it did not properly highlight consumers' rights, and the required language was buried in a section of text that also made marketing claims about the company's prices.



CASE STUDY – REALTYSOUTH (CONT.)



- CFPB imposed \$500,000 fee for disclosure violations. (5/28/2013)
- RealtySouth, was fined for inadequate disclosures that could leave consumers unaware of their rights to choose service providers during the home-buying process.
- The contracts illegally benefited TitleSouth LLC, an affiliated company owned by the same holding company that owns RealtySouth.

2014 MORTGAGE PROTECTION FOR SERVICEMEMBERS

“More than a third of the consumer complaints we’ve received from the military are mortgage-related... We hope our new mortgage rules will allow servicemembers to spend more time on their important mission and less time worrying about their mortgages.”

-CFPB



TERMS TO KNOW

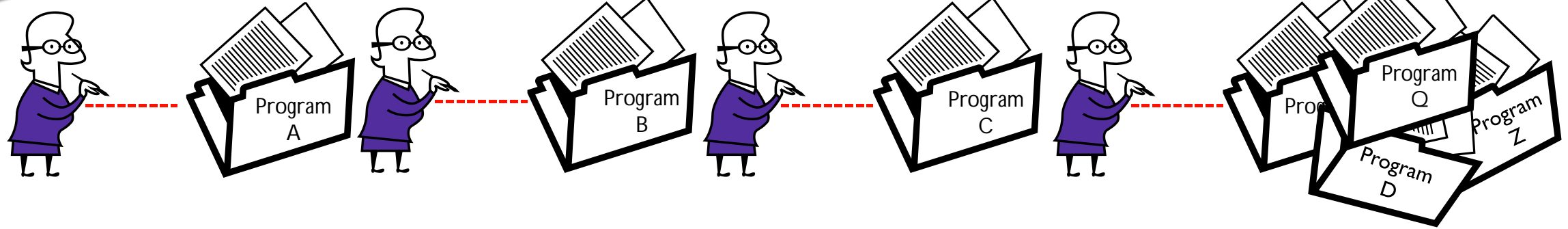
Dual Tracking:



In the past, servicemembers dealing with mortgage troubles sometimes found that their mortgage servicer had moved forward to foreclose on their home at the very same time it was working with the servicemember on a potential loan modification. That's called "dual tracking" and our new (CFPB) rules set up clear guidelines that restrict this practice.

Servicemembers had to apply over and over again.

Then

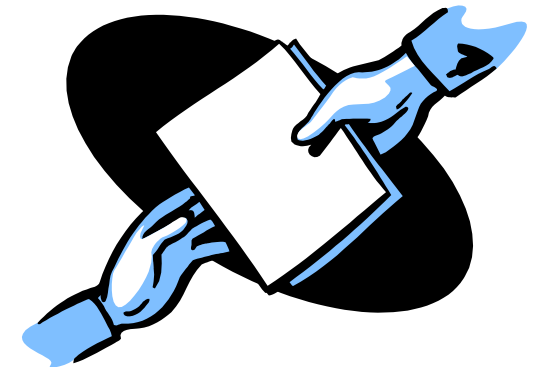


Now



No More Runarounds and Missing Documents

“Our rules require mortgage servicers to train their people to answer your questions and, if you do run into trouble, the servicer has to assign people to help you. The servicer also has to have policies in place to make sure they don’t lose your paperwork”.





Assistance With PCS Orders

Fannie Mae and Freddie Mac updated their policies (2011) to say that a **Permanent Change of Station (PCS)** orders, move is considered a “qualifying hardship” for mortgage assistance options for servicemembers. In other words, servicemembers do not have to be behind on their mortgage payments before they can ask for help. It was also announced that a homeowner with a Fannie or Freddie loan and PCS orders will automatically be eligible for a short sale.

Assistance With PCS Orders (continued)

Also, those servicemembers who do a short sale (selling their home for less than they owe on the mortgage) will not have to pay the difference between the original loan amount and the proceeds from the sale if the property is their primary residence and it was purchased on or before June 30, 2012.

2014 MORTGAGE PROTECTION FOR SERVICEMEMBERS
[HTTP://WWW.CONSUMERFINANCE.GOV/BLOG/SERVICEMEMBERS-YOU-HAVE-NEW-MORTGAGE-PROTECTIONS-IN-2014/](http://www.consumerfinance.gov/blog/servicemembers-you-have-new-mortgage-protections-in-2014/)



QUESTION – FILL IN THE BLANK



Finally, the U.S. Department of Veterans Affairs (VA) also has provisions for a short sale called a "_____."

Servicemembers should contact their lender or the VA for more information on this program.

- A. Compromise sale
- B. PCS sale
- C. Guidance sale
- D. Qualifying sale

ANSWER



Finally, the U.S. Department of Veterans Affairs (VA) also has provisions for a short sale called a "_____."

Servicemembers should contact their lender or the VA for more information on this program.



A. Compromise sale

B. PCS sale

C. Guidance sale

D. Qualifying sale

QUESTION – MULTIPLE CHOICE



The VA works closely with the military community to get the word out about any policy changes that affect servicemembers. But if servicemembers and their spouses have questions, who can they contact?

- A. JAGs (Judge Advocate General's Corps)
- B. Military Personal Financial Managers (PFM)
- C. A & B
- D. None of the above

ANSWER



The VA works closely with the military community to get the word out about any policy changes that affect servicemembers. But if servicemembers and their spouses have questions, who can they contact?

- A. JAGs (Judge Advocate General's Corps)
- B. Military Personal Financial Managers (PFM)
- C. A & B
- D. None of the above

LENDERS EASE MORTGAGE RULES

"Credit is loosening, but it is loosening from a tight starting point,"

-Mortgage Bankers Association chief economist
Michael Fratantoni.

Smaller lenders are hoping to attract first-time home buyers with their relaxed underwriting criteria; while bigger lenders are easing down payments on jumbo loans.

[HTTP://WWW.RESPONSIBLELENDING.ORG/TOOLS-RESOURCES/HEADLINES/LENDERS-EASE-MORTGAGE-RULES-IN-HUNT-FOR-BUSINESS.HTML#STHASH.9YH3ARON.DPUF](http://www.responsiblelending.org/tools-resources/headlines/lenders-ease-mortgage-rules-in-hunt-for-business.html#STHASH.9YH3ARON.DPUF)

CFPB – NOT WITHOUT FLAWS

Opinions that the CFPB isn't as great as it claims to be:

It seems that it is the interests of the agency itself, not the consumers it claims to represent.

So much for academic policy prescription by would-be philosopher kings!

QUESTIONS

- Do the QM rules address the major issues that lead to the housing crash?
- Were the issues more related to ability to repay or the size of the downpayment allowed?

LEADING INTO FAIR LENDING



The possibility certainly exists that mortgage applications rejected by lenders under the ability-to-repay/QM rule will be reviewed by regulators for potential disparate impact claims.

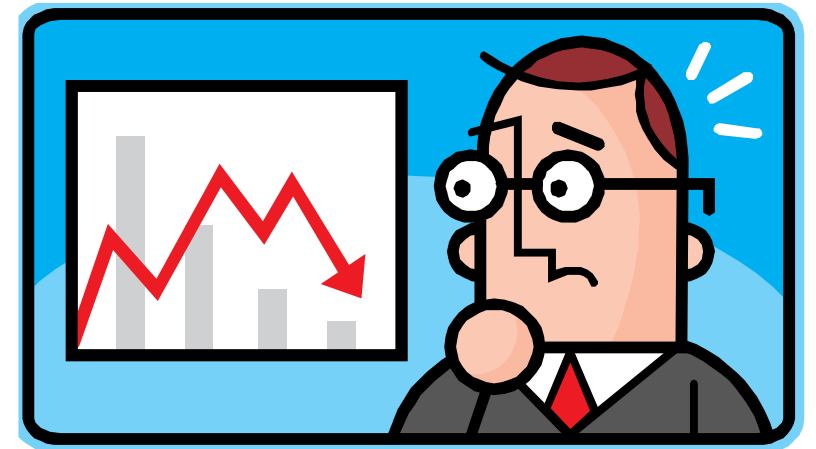
FAIR LENDING

ETHICS: FRAUD, CONSUMER PROTECTION & FAIR
LENDING

SUBPRIME LENDING BUST

The Results Were:

- Historic rates of default and foreclosure
- Plummeting home values
- The ensuing economic distress which we are feeling years after the bust.



SUBPRIME LENDING BUST

What is not as widely recognized is that the **subprime lending crisis** was always also a **fair housing crisis**.

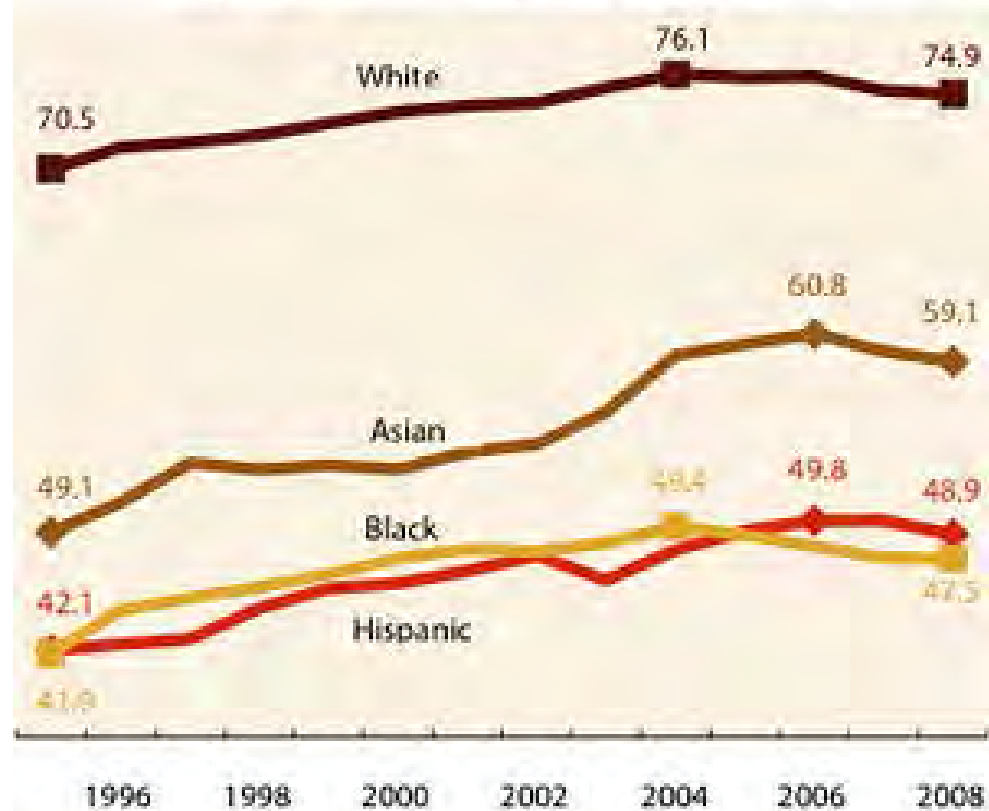
TERMS TO KNOW



Fair Housing Act: “a law that prohibits discrimination in all facets of the home buying process on the basis of race, color, national origin, religion, sex, familial status, or disability.”

BOOM AND BUST CYCLE

**Homeownership Rates,
by Race & Ethnicity, 1995-2008 (%)**



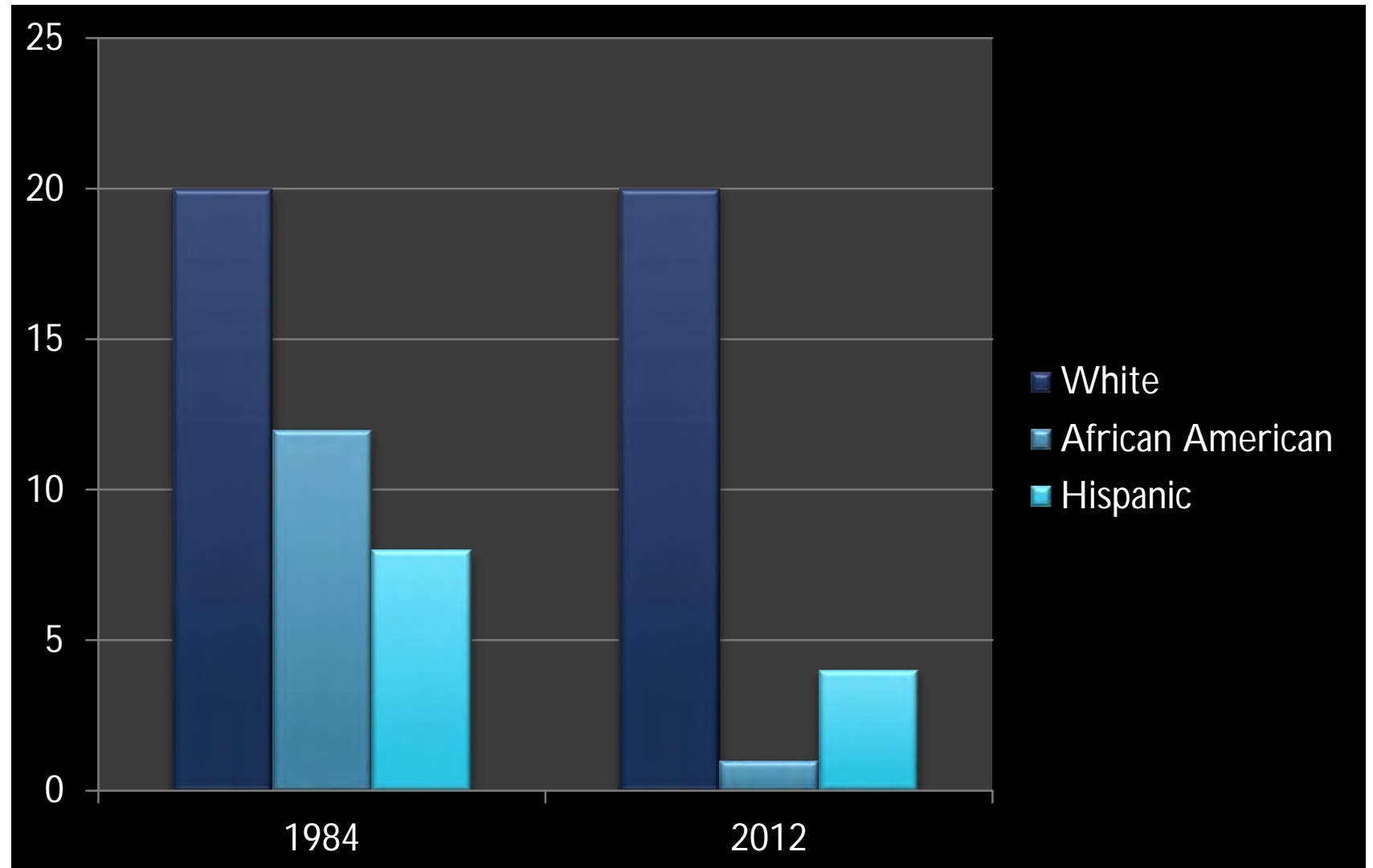
Source: Pew Hispanic Center

The boom-and-bust cycle in the U.S. housing market over the past decade-and-a-half, has generated greater gains and larger losses for minority groups than it has for whites.

(According to an analysis of housing, economic and demographic data by the Pew Hispanic Center, a project of the Pew Research Center)

Median Wealth Expressed in Ratios

The Boom
and the Bust
Widened the
Wealth Gap



IRRESPONSIBLE SUBPRIME LENDING

The mortgage lending boom consisted mostly of irresponsible subprime loans, commonly called **“PREDATORY LOANS.”** Because most subprime loans were irresponsible, the term **“SUBPRIME”** is often used as shorthand for **“IRRESPONSIBLE SUBPRIME.”**

RESPONSIBLE MORTGAGE LENDING IS A FAIR HOUSING ISSUE

1. LOW INCOME

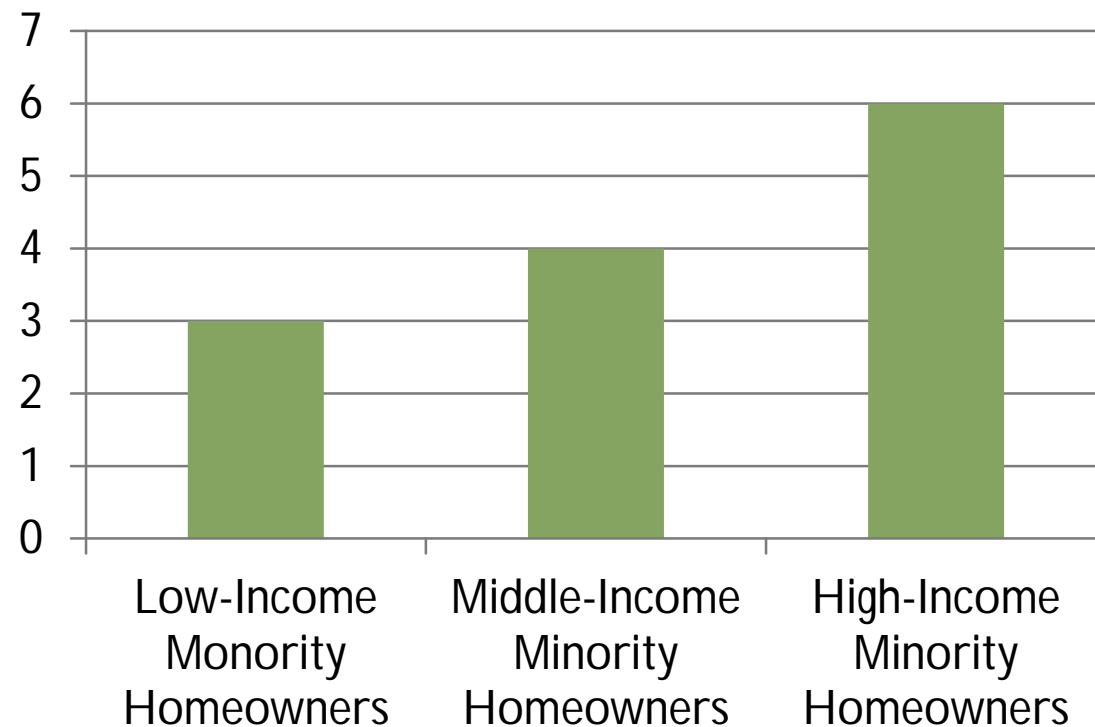
Studies show that low-income homeowners are denied affordable credit more often than moderate and high-income homeowners, even after adjusting for credit score. Higher cost products sold to lower income homeowners has had a disparate impact on borrowers of color, who, statistically, still earn much less than whites.

RESPONSIBLE MORTGAGE LENDING IS A FAIR HOUSING ISSUE

2. BORROWERS OF COLOR

Even after adjusting for income, subprime loans were increasingly likely to be given to borrowers of color


Likelihood of Subprime Loans to be Given to Borrowers of Color



RESPONSIBLE MORTGAGE LENDING IS A FAIR HOUSING ISSUE

3. CREDITWORTHINESS AND COLOR

One result showed that housing costs were 25% lower in white neighborhoods than in similar neighbors with a majority of African-American residents.



FINDINGS

CONCLUSION:

Minority homeowners struggle to manage higher debt burdens on smaller incomes.

FINDINGS

CONCLUSION

According to one Fannie Mae report, many borrowers who received costly subprime loans **qualified for, but did not get**, more affordable prime loans—**ALMOST HALF** of the time.

[HTTPS://WWW.NCLC.ORG/IMAGES/PDF/CREDIT_DISCRIMINATION/FAIR-HOUSING-BRIEF.PDF](https://www.nclc.org/images/pdf/credit_discrimination/fair-housing-brief.pdf)

FINDINGS



FINANCIALLY \$PEAKING:

For each such family, the average subprime loan represents a drain of between **\$50,000 – \$100,000** of equity that the family would have retained with a prime loan.

QUESTION



Are you familiar with the laws Congress passed intending to solve this fair housing problem?

[HTTPS://WWW.NCLC.ORG/IMAGES/PDF/CREDIT_DISCRIMINATION/FAIR-HOUSING-BRIEF.PDF](https://www.nclc.org/images/pdf/credit_discrimination/fair-housing-brief.pdf)

QUESTION – DO YOU NEED A REVIEW?



ANSWER:

- ✓ The Fair Housing Act of 1968 (FHA)
- ✓ The Home Mortgage Disclosure Act of 1975 (HMDA)
- ✓ The Community Reinvestment Act of 1977 (CRA)

AT A GLANCE...

The Fair Housing Act of 1968 (FHA)

Banned race discrimination in housing and mortgage lending.

[HTTPS://WWW.NCLC.ORG/IMAGES/PDF/CREDIT_DISCRIMINATION/FAIR-HOUSING-BRIEF.PDF](https://www.nclc.org/images/pdf/credit_discrimination/fair-housing-brief.pdf)

The Home Mortgage Disclosure Act of 1975 (HMDA)

Required lenders to report home purchase and mortgage application information, in part to help ferret out patterns of discrimination.

The Community Reinvestment Act of 1977 (CRA)

Required lenders to serve all income segments of their client communities equally, so as to make credit more accessible to low-income borrowers (who are disproportionately borrowers of color).

PREPAYMENT PENALTY PROBLEM

Because borrowers of color were much more likely to get subprime loans and therefore were also much more likely to be stuck with prepayment penalties.



PREPAYMENT PENALTY PROBLEM

One survey of 177,000 loans found that 60% of African-Americans got loans with prepayment penalties.

FROM THE CFPB

- During recent examinations, the Bureau discovered that some companies were automatically declining applicants if they relied on income from a non-employment source, such as **social security income or retirement benefits**, in order to repay the loan.

http://files.consumerfinance.gov/f/201503_cfpb_supervisory-highlights-winter-2015.pdf

FROM THE CFPB

- This is **PROHIBITED CONDUCT** according to ECOA.

http://files.consumerfinance.gov/f/201503_cfpb_supervisory-highlights-winter-2015.pdf

THE CFPB REPORT

Fair lending report of
the Consumer
Financial Protection
Bureau

The CFPB
Released this 48
page Report
Related to Fair
Lending in 2014.

QUESTION



Do you think there is a trend of using disparate impact-type evidence to support disparate treatment claims?

Here are two case studies that illustrate this point...

DISPARATE TREATMENT/IMPACT



CASE STUDY #1:

In the St. Paul case, a group of rental property owners sued the city and several officials over aggressive code enforcement that resulted in the closure of some properties. They claimed St. Paul violated the Fair Housing Act through its get-tough enforcement, which reduced availability of affordable housing for the city's lower-income and minority residents.

SOURCE: More Fair Lending Scrutiny on the Way
By Alex Kangelaris

DISPARATE TREATMENT/IMPACT



CASE STUDY #2:

The second case, residents of a low-income neighborhood of Mount Holly, N.J., said the town's plan to demolish low-income housing as part of a revitalization effort discriminated against the town's poor, minority residents.

SOURCE: More Fair Lending Scrutiny on the Way
By Alex Kangelaris

YOUR RESPONSIBILITY!

Accordingly, mortgage originators must become educated on the doctrine and be vigilant in every aspect of compliance with the Fair Housing Act and the new Ability-To-Repay/QM rule.





diversity

A WINNING PROPOSITION

BY DENISE JAMES



Denise James is the president of Clearview Risk Services, a provider of loan quality risk management services. DJames@clearviewrisk.com

Recent legislation included in the Dodd-Frank Act 2010, Section 342 mandates the inclusion of women and minorities across mortgage industry vendor pools and employment. All too often, we are reminded of the damages created as a result of unfair lending or predatory lending violations affecting protected classes. Unfortunately, recent claims have ensued due to heightened visibility of increased foreclosures which allege that minorities were more significantly harmed as a result of the mortgage market meltdown; however, many other consumers have also been impacted.

Strong diversity programs that embrace differing ethnic and cultural values may help to lessen the impact of such circum-

stances. Creating an environment that aids in developing increased knowledge of how to work with protected classes will strengthen a firm's ability to relate to their consumer target.

The 100th Annual Convention and Expo, hosted by the Mortgage Bankers Association (MBA), in October 2013 was quite enlightening; the common theme for the conference was strength and change. There is great admiration for any organization that

has been a key contributor and influencer in society for 100 years, so it was exciting to hear the various perspectives. As an association member reviewing the speaker line-up, you couldn't help but notice that the line-up appeared strikingly similar to the line-up from a century ago. While there have been significant changes such as the inclusion of women like Debra Stoll, CEO of Pulla Mortgage and former Chairman of the MBA, and a noticeable increase in the number of women reaching leadership positions within lending institutions and across the industry, we still have an opportunity to further increase similar success stories. The past 100 years have celebrated significant changes in the way mortgage business is executed with better, more proficient technologies, processes such as the World Wide Web, and the

Creating an environment that aids in developing increased knowledge of how to work with protected classes will strengthen a firm's ability to relate to their consumer target

inclusion of many diverse participants to create an exceptional industry. The Dodd-Frank Act 2010 - Section 342, drives enhanced opportunities for minorities and women to reflect America's melting pot and commitment to equality. The legislation provides suggested methods for increasing the industry's knowledge about why the initiative is so important. Additionally, the law recommends ways to actively participate in diversifying your vendor pools and employee base in an effort to strengthen consumer acquisition success.

The legislation is key to those businesses and professionals that have experienced tremendous obstacles in securing business and employer opportunities. As an industry experiencing heightened change, we must continue to challenge the status quo, even though we have come a long way. The current environment can open doors for those providers and professionals with a passion for providing succinct solutions and expertise that meet the demand for current issues facing the industry today. As a former employee of a well-recognized company that provides risk management solutions, I was able to start a company that provides loan quality risk management services that are backed by nearly two decades of expert market knowledge, a clear

understanding of industry pain points, and comprehensive recognition of the key legislative drivers. The timing was optimal because the legislation affords opportunities that would otherwise be very limited. We just want to contribute to a dynamic industry that means something to virtually every consumer-turned-homeowner; there's nothing like the feeling of helping someone achieve their dream to become a homeowner. Fortunately for minorities and women, they now have a chance to prove their strengths and capabilities as providers of critical services and knowledge. The Mortgage Bankers Association is championing this important initiative through its development of committees dedicated to evangelizing the significance of change. Additionally, an important conference on diversity will be hosted by the MBA in June 2014 and should prove successful given the importance of inclusion in the industry and the MBA's continued commitment to meaningful change.

Diversity is a complex and sensitive initiative. However, it can become a strong link in the chain of success when implemented consciously. Minorities are currently and are expected to continue to be the single largest consumer of homes. In order to effectively serve these consumers, lenders must understand their thought process and optimize their affinity buying patterns. Minority inclusion across your business as vendor seekers and employers, tells the world that there is a level of trust equal to those that are considered majorities in the same space. Your business will be stronger because of the value of diverse perspectives, which will consequently drive increased market knowledge, revenue and customer satisfaction across the diverse communities that you serve.

Denise James is the president of Clearview Risk Services, a provider of loan quality risk management services. DJames@clearviewrisk.com

“Diversity is a complex and sensitive initiative, However, it can become a strong link in the chain of success when implemented consciously”

CASE STUDY – DIVERSITY ARTICLE SUMMARY



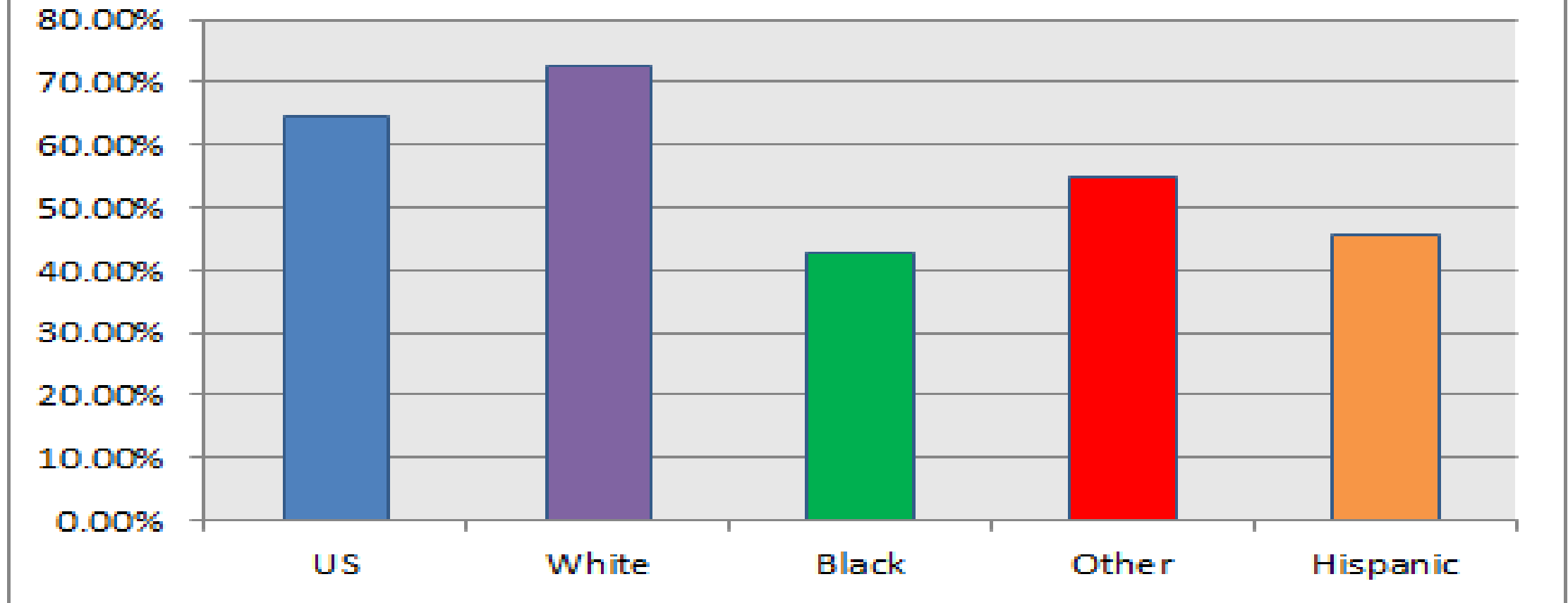
(June 2014) Mortgage Compliance Magazine, the author aims to illustrate the point that not only does The Dodd-Frank Act aim to enhance opportunities for minorities seeking housing, but also the law *“recommends ways to actively participate in diversifying ... vendor pools and employee base in an effort to strengthen consumer acquisition success.”*

CASE STUDY – DIVERSITY ARTICLE SUMMARY (CONT.)



The author goes on to strengthen her position that diversity is a winning proposition by stating that *“Creating an environment that aids in developing increased knowledge of how to work with protected classes will strengthen a firm’s ability to relate to their consumer target.”*

Home Ownership by Race, 2014



Minorities are currently and are expected to continue to be the single largest consumer of homes.

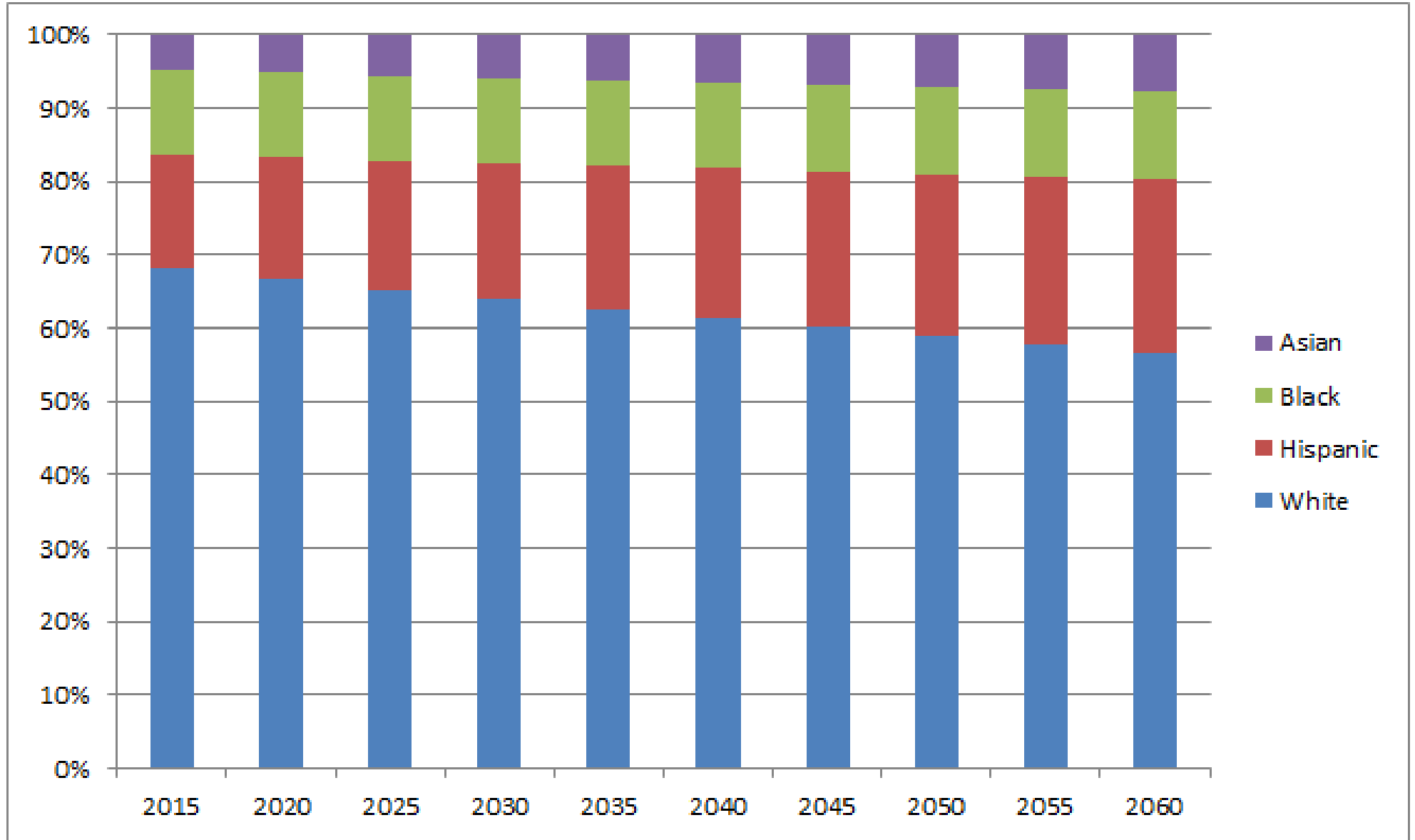
QUESTION



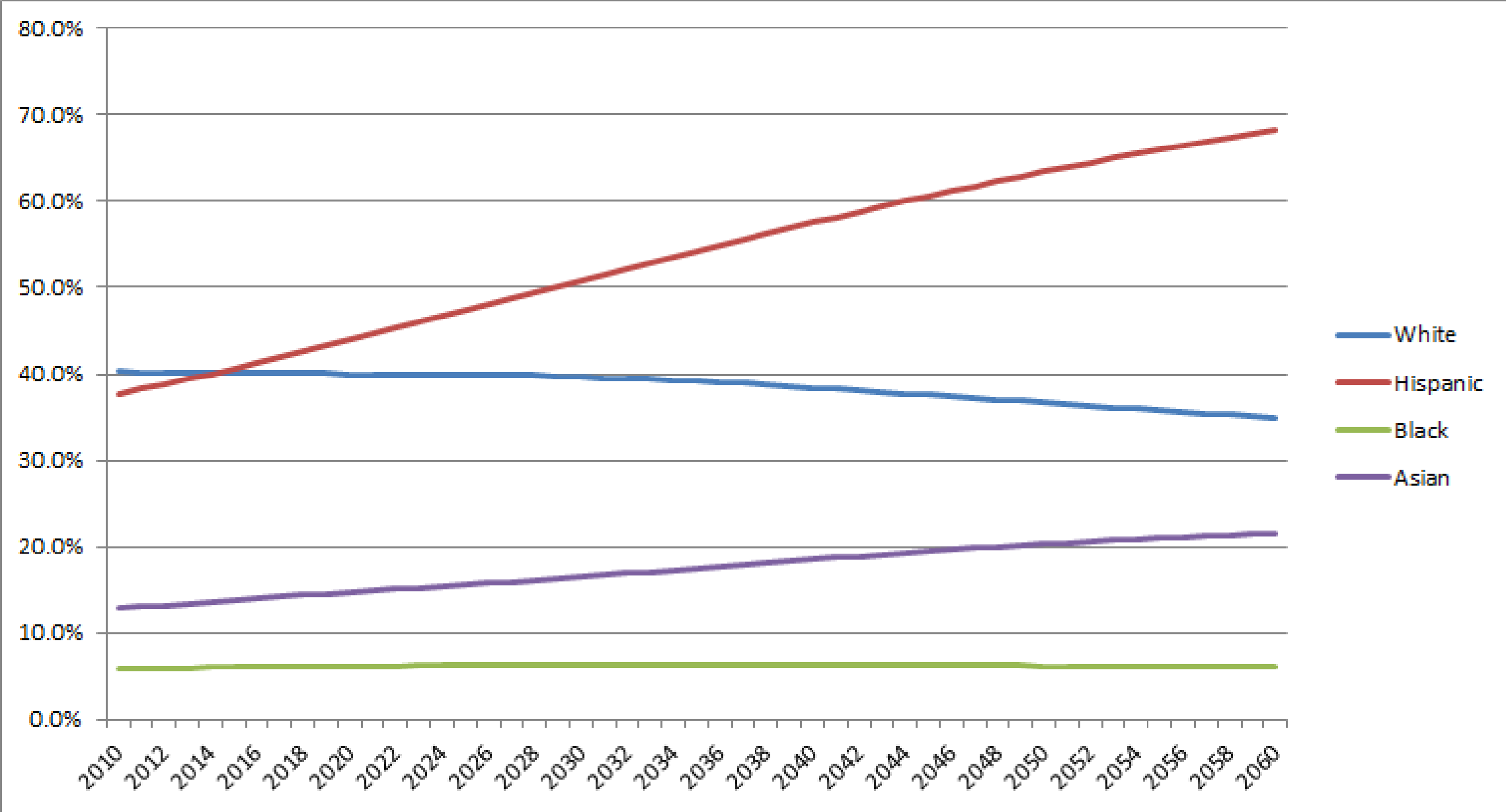
Consumer protection is necessary from an ethical perspective, but how can diversity also be good for business?

**According
to US
Population
Estimates:**

**Hispanics
and Asians
will make
up 25% of
the US
Population
by 2019**



Source: US Census Bureau



Source: California Census

In 2060, More Than Half of California's Population Will be Hispanic.



Mortgage Educators and Compliance

DISPARITIES CONTINUE



In the first study of the just-released 2013 mortgage lending data, Inner City Press and Bronx-based Fair Finance Watch, have found that high cost loans and disparities by race and ethnicity in denials and higher-cost lending continued at the Big Four banking behemoths Citigroup, JPMorgan Chase, Bank of America and Wells Fargo - and spread to US Bank, M&T and Capital One.

SOURCE:

[HTTP://WWW.INNERCITYPRESS.COM/BANKS2013HM/](http://www.innercitypress.com/banks2013hm/)



Mortgage Educators
and Compliance



"Even after the bailouts, lending disparities grew worse and not better," said Fair Finance Watch. "Regulatory laxity, at least on fair lending, has continued despite the financial meltdown caused by predatory lending. Given the proposed changes to the housing finance system, these disparities must be addressed."

-Inner City Press, NY



FAIR LENDING: PROBLEMS & SOLUTIONS



Since race is not the only basis for discrimination, let's now address other fair lending issues



LENDER DISCRIMINATION AGAINST FAMILY STATUS



In a 2013 New York Times article that was the basis for HUD's investigation, brokers said that lenders were scrutinizing the incomes of new parents more closely as a result of the more conservative lending climate.

SOURCE:

[HTTP://WWW.NYTIMES.COM/2013/02/24/REALESTATE/INVESTIGATING-SEX-DISCRIMINATION-BY-LENDERS.HTML?_R=0](http://www.nytimes.com/2013/02/24/realestate/investigating-sex-discrimination-by-lenders.html?_R=0)

FAIR LENDING TRENDS

- We were told in 2013 not to discriminate against pregnant women. The Lenders still didn't learn. And were continuously fined throughout 2014.
- What areas might we be warned about now that we can proactively watch for to make sure we are acting appropriately?

LENDER DISCRIMINATION AGAINST PREGNANT WOMEN



**LENDING
DISCRIMINATION
WAS NOT WHAT
I WAS EXPECTING**

If you are qualified for a mortgage, but the lender denies the loan because you are on maternity leave—that's a violation of the Fair Housing Act.

If you suspect you are a victim of lending discrimination, please report it.

1-800-669-9777 (voice)
1-800-927-9275 (TTY)
www.HUD.gov



A public service message from the U.S. Department of Housing and Urban Development in partnership with the National Fair Housing Alliance. The federal Fair Housing Act prohibits discrimination because of race, color, religion, national origin, sex, and disability. For more information, visit www.hud.gov/fairhousing.

NFHA
National Fair Housing Alliance

“Where lenders run up against the law is where they single out pregnant women for a difference in treatment based upon an assumption that either they’re not being paid on leave, they don’t have a job to go back to, or that they are unwilling to go back.”

-John Trasvina,
HUD’s Assistant Secretary
Fair Housing and Equal Opportunity.

FORBIDDEN QUESTIONS



“Are you
planning a
family?”

FORBIDDEN QUESTIONS



“Do you have
any health
issues?”



LENDER DISCRIMINATION AGAINST PREGNANT WOMEN

July 2, 2014

According to HUD, GFS Capital Holdings will pay **\$48,000** to settle allegations of discrimination against women on maternity leave.

The Irvine, Calif., lender violated the Fair Housing Act when it denied or stalled mortgage loans to women on maternity leave.



LENDER DISCRIMINATION AGAINST PREGNANT WOMEN

Under the Fair Housing Act, the department said,

"It is unlawful to discriminate in the terms, conditions or privileges associated with the sale or rental of a dwelling on the basis of sex, including denying a mortgage loan or mortgage insurance because a woman is pregnant or on family leave."

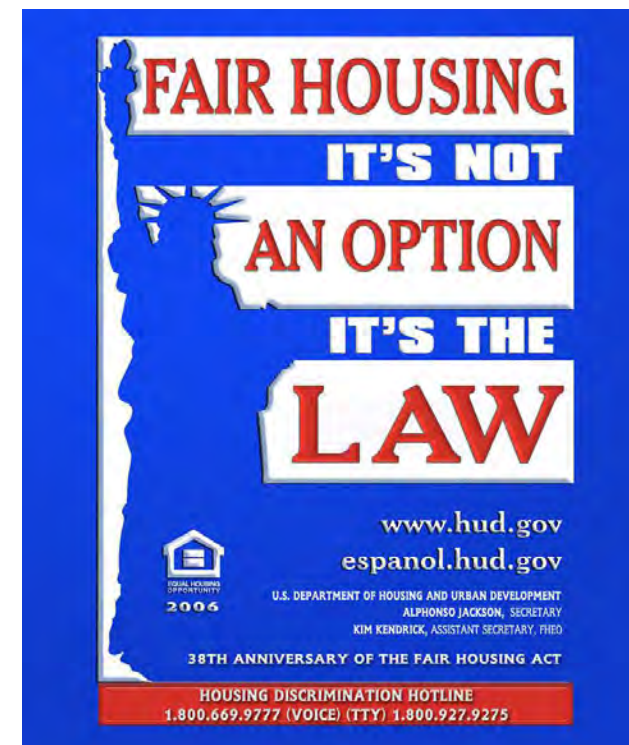
LENDER DISCRIMINATION AGAINST PREGNANT WOMEN

“The fact that an applicant is on maternity leave alone is not a valid basis for denying or delaying a refinance loan. HUD will continue to enforce fair housing laws to ensure that no otherwise qualified applicant is illegally denied the home financing they need only because they take maternity, paternity or parental leave.”

-Bryan Greene

HUD's General Deputy Assistant Secretary
Fair Housing and Equal Opportunity

http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2014/HUDNo_14-084



DISPARATE TREATMENT

- Disparate treatment occurs when a creditor treats an applicant differently based on a prohibited basis such as race or national origin.

DISPARATE IMPACT

- Disparate impact occurs when a creditor employs facially neutral policies or practices that have an adverse effect or impact on a protected class unless it meets a legitimate business need that cannot reasonably be achieved as well by means that are less disparate in their impact.

NOVEMBER 2014 RULING

- Federal District Court Judge Richard Leon rejected FHA's ability to use disparate-impact liability.
- He said "another example of an administrative agency trying to write into law that which Congress never intended to sanction."

FUTURE RULINGS

- The United States Supreme Court (SCOTUS) has agreed to hear a case in 2015 that would ultimately determine if disparate impact is valid under FHA.
- This is the third time SCOTUS has agreed to hear such a case but the other two cases settled before being presented.

CONFUSION

- Remember that HUD lost its case of using the Disparate argument **HOWEVER** the CFPB still considers Disparate Impact.
- What is the actual guideline?

HUD cannot use disparate impact; however, the CFPB can for now.

- Who can clarify it for the industry?

Depending on what SCOTUS (the US Supreme Court) rules.



HOME



MERITS CASES



PETITIONS



STATISTICS



SPECIAL FEATURES



PLAIN ENGLISH



VIDEOS



RESOURCES



ADMINISTRATION

Editor's Note :

[On Monday we expect orders at 9:30 a.m. followed by opinions at 10. We will begin live-blogging at 9:15.](#)



Paul Hancock and Andrew C. Glass

Guest

Posted Fri, June 26th, 2015 8:58 am

[✉ Email Paul](#)

[Bio & Post Archive »](#)

Symposium: The Supreme Court recognizes but limits disparate impact in its Fair Housing Act decision

Paul F. Hancock and Andrew C. Glass are partners at the global law firm K&L Gates LLP. On behalf of associations representing the financial services and mortgage lending industries, Paul and Andrew have filed amicus briefs with the Supreme Court addressing the issue of whether the “disparate-impact” theory is cognizable under the Fair Housing Act.

On June 25, 2015, the Supreme Court, by a five-to-four margin, upheld the application of disparate impact under the Fair Housing Act (“FHA”) in [Texas Department of Housing & Community Affairs v. The Inclusive Communities Project, Inc.](#) While upholding the theory, the Court imposed significant limitations on its application in practice.

In a disparate-impact claim, a plaintiff may establish liability, without proof of intentional discrimination, if an identified business practice has a disproportionate effect on certain groups of individuals and if the practice is not grounded in sound business considerations. The Court, however, imposed important limitations on the application of the theory “to protect potential defendants against abusive disparate-impact claims.” In particular, the Court held that a racial imbalance,

FEATURED POSTS

[A “view” from the Courtroom: A marriage celebration – Mark Walsh](#)

[Opinion analysis: Marriage now open to same-sex couples – Lyle Denniston](#)

[In historic decision, Court strikes down state bans on same-sex marriage: In Plain English – Amy Howe](#)

MERITS CASE PAGES AND ARCHIVES

This Term's Merits Cases ▾

Next Term's Merits Cases ▾

Archives ▾ or ▾

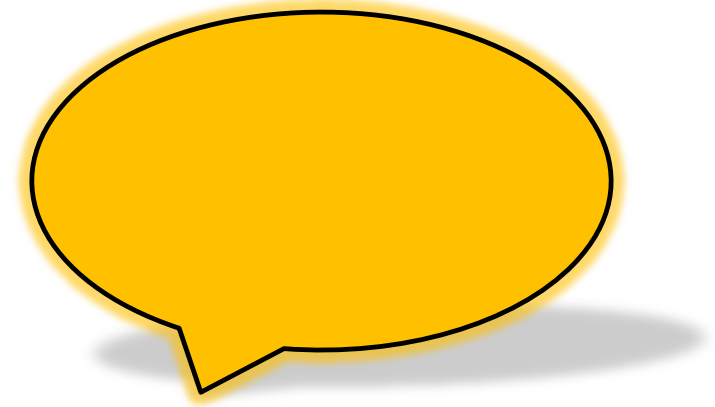
TERM SNAPSHOT

This Week at the Court ▾

On Monday the Court issued [orders](#), including

ELECTIVE

ADVERTISING AND MARKETING SERVICE AGREEMENTS



TERMS TO KNOW

Advertising: A form of marketing communication used to encourage, persuade, or manipulate an audience to take or continue to take some action.



Image source: By Woodley Wonderworks





Tips & Advice » Business Center » Guidance » Advertising FAQ's: A Guide for Small Business

Advertising FAQ's: A Guide for Small Business

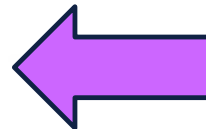
TAGS: Advertising and Marketing | Advertising and Marketing Basics | Appliances | Automobiles | Finance | Funerals | Jewelry | Real Estate and Mortgages

Focusing on federal truth-in-advertising standards, this A-to-Z primer is an essential resource for businesses of any size.

WHAT TRUTH-IN-ADVERTISING RULES APPLY TO ADVERTISERS?

Under the [Federal Trade Commission Act](#):

- Advertising must be truthful and non-deceptive;
- Advertisers must have evidence to back up their claims; and
- Advertisements cannot be unfair.



Additional laws apply to ads for specialized products like consumer leases, credit, 900 telephone numbers, and products sold through mail order or telephone sales. And every state has consumer protection laws that govern ads running in that state.

WHAT MAKES AN ADVERTISEMENT DECEPTIVE?

According to the FTC's [Deception Policy Statement](#), an ad is deceptive if it contains a statement - or omits information - that:

WHICH FEDERAL LAWS DEAL WITH ADVERTISING?

- MAP (Reg. N) Mortgage Acts and Practices – Advertising
- Mortgage Assistance Relief Services Rule (MARS Rule, or Regulation O)
- ECOA (Reg. B) Equal Credit Opportunity Act
- UDAAP Unfair Deceptive Abusive Acts and Practices
- TILA (Reg. Z) Truth in Lending Act



MAP – Reg. N example

Contact us (855) 411-2372

- HOME
- INSIDE THE CFPB
- GET ASSISTANCE
- PARTICIPATE
- LAW & REGULATION
- SUBMIT A COMPLAINT**

HOME > NEWSROOM > CFPB TAKES ACTION AGAINST MORTGAGE LENDER FOR DECEPTIVE ADVERTISING

APR 9 2015

CFPB Takes Action Against Mortgage Lender for Deceptive Advertising



Receive press releases by email

Email address

SIGN UP

Bureau Orders RMK Financial to Pay \$250,000 for Deceiving Borrowers with Claims of Government Affiliation

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) took action against RMK Financial Corporation for deceptive mortgage advertising practices, including ads that led consumers to believe that the company was affiliated with the U.S. government. The CFPB is ordering RMK to end its illegal and deceptive practices and pay a civil penalty of \$250,000.

More Information On

- Press Release
- Enforcement
- Mortgages

“Deceptive advertising has no place in the mortgage marketplace, and the Consumer Bureau will continue to take action against companies that mislead consumers with false claims of government affiliation,” said CFPB Director Richard Cordray. “Today’s



FEDERAL LAWS – TILA

- Actually available terms;
- Clear and conspicuous;
- Advertisement of rate, and of finance charge – APR;

FEDERAL LAWS – TILA

- Actually available term

If an advertisement is for credit secured by a dwelling, the advertisement shall not state any other rate, except that a simple annual rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the annual percentage rate.

charge - APR

FEDERAL LAWS – TILA TRIGGERS

- The **amount** or **percentage** of any **downpayment**,
- The **number of payments** or period of repayment,
- The amount of **any payment**, or
- The amount of any **finance charge**.

TRIGGERED TERMS (MUST INCLUDE ALL)

- The amount or percentage of the downpayment.
- The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment.
- The “annual percentage rate,” using that term, and, if the rate may be increased after consummation.

GROUP ASSIGNMENT

- In groups come up with a compliant or non-compliant advertisement that you could use on a social media site. And tell why it is or is not compliant.
- Identify the site and why you included the information you included.
 - Twitter, LinkedIn, Facebook, Instagram



SOCIAL MEDIA EXAMPLE



HOW CAN I QUOTE RATES IN 140 CHARACTERS?

quoting 2.875% 15yr fix CONV (apr 3.131%) w/1.201points \$500k sales price/\$400k loan. 740+ credit purchase in Seattle.

This covers all of the TILA triggers.

It does not list NMLS ID or have the Equal housing information.

Is anything else missing?



CUSTOMER REVIEWS





Find tacos, cheap dinner, Max's

Near



Home About Me Write a Review Find Friends Messages Talk Events

[Redacted] Mortgage



91 reviews

Details

★ Write a Review

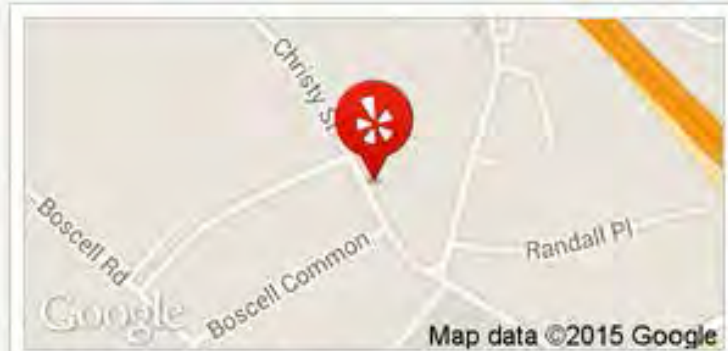
Add Photo

Share

Bookmark

Mortgage Brokers, Real Estate Services, Financial Advising

Edit



Edit



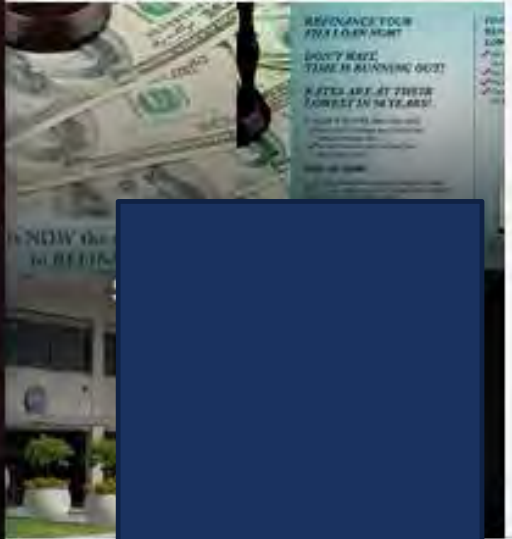
Get Directions



Message the business



MORTGAGE



M|E|C

Mortgage Educators and Compliance

 12/2/2012




 First to Review

My wife and I had a terrible experience with them. They led me on for weeks, sent me the application paperwork in the mail to sign - without even offering to sit down with us and explain it - and this was my first home buying experience. They accused me of hiding my income and lying on our paperwork even though I had a CPA certify my income (I was applying as self-employed), I provided all my bank statements for my business for a full year, and I provided tax returns. They never gave me honest answers or clear instructions.

I gave them everything they ever asked for, yet they sent me back a reason for denial that was I couldn't prove income??? They had already given me a letter of approval based on the paperwork!

Their treatment of us was despicable. They missed two closing dates and on the last one, denied us just 2 days before the closing without enough warning for us to retain the home we were in - so we had to move our stuff into a storage unit. I wrote a letter of complaint to them and they told me I was "taking it personally, and it's not"....!!!! WHAT? Of course it's personal. They just don't get it. The manager lied to my face, they broke the law (not going to tell all that here), and they showed no care for us. Completely terrible experience.

Was this review ...?

 Useful 14  Funny 2  Cool 1



Confirmed Lender

Personal Mortgage Banker (13 years experience)

★★★★★ (452 reviews)

Specialties: Purchase Loan, Refinancing, Home Equity, Mortgage Planning

- Contact
- Write review
- Share ▾
- 🚩

Brandon started his mortgage career in 2002 with a small South Florida based brokerage. He spent his first two years in the business building a knowledge base for products and programs, along with long term relationships with local Real Estate Professionals, earning him the reputation as one of the leading Mortgage Professionals in South Florida. It was this reputation that landed him a position as an in-house lender with one of the largest

More ▾

Ratings & Reviews

★★★★★ Highly likely to recommend



Contact Lender

Professional Information

Address:





BLOGS



Skip a Month's Mortgage Payment and Get a FREE \$300 Tax Credit for Christmas!



For the past few years, [redacted] and [redacted] have owned a Target gift card. [redacted] killer deal on [redacted]ing your mortgage. Well after [redacted]g from the wifey, they are [redacted] the [redacted] of you looking to refinance a mortgage [redacted] new one for a newly purcha[redacted]

My personal favorite part [redacted] **that you always get to skip** [redacted] **ment!** And when money is tight, it is great to [redacted] her bills. And then [redacted] payment when your new rate starts. **And since it is** [redacted] **use it to help pay for** **Christmas, or get caught up** [redacted] My husband has been able to help a [redacted] mortgage rate and better payment. So if you have been looking around, here is [redacted]



ADVERTISING

Problematic ads contained official-looking logos that could make consumers think they came from government agencies, “low” teaser rates without explaining loan terms, or misrepresented the amount of cash or credit available.



FEB 2015 – CFPB FINED MORTGAGE COMPANIES FOR MISREPRESENTING GOVERNMENT AFFILIATION

- The 2011 Mortgage Acts and Practices (MAP) Advertising Rule prohibits misleading claims in mortgage advertising, including implying a government affiliation.
- One mailer sent to nearly 200,000 consumers had an eagle resembling the Great Seal of the United States. Furthermore, the header read, “GOVERNMENT LENDING DIVISION” and “Housing and Recovery Act of 2008 Eligibility Notice.”

Source: <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-mortgage-companies-for-misrepresenting-u-s-government-affiliation/>

FEBRUARY 2015 CFPB FINES

- Another company sent tens of thousands of mailers advertising mortgage credit products that looked like a government notice. The mailings had a heading, "PURSUANT TO THE FEDERAL HOUSING ADMINISTRATION (FHA) HUD No. 12-045," instructed consumers to call their "assigned FHA loan specialist," and obscured the company's name as the source of the advertisements.

Source: <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-mortgage-companies-for-misrepresenting-u-s-government-affiliation/>

FEBRUARY 2015 CFPB FINES

- It also sent more than one million mailers, that it was “HUD-Approved.”
- Although it had no unique affiliation beyond that of other lenders to originate VA-guaranteed loans and was not “HUD-Approved” at the time it claimed in its advertisements to have that status.
- Fined \$225,000

Source: <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-mortgage-companies-for-misrepresenting-u-s-government-affiliation/>

FEBRUARY 2015 CFPB FINES

A third company sent mailings to potential consumers that appeared as if they were U.S. government notices. More than 100,000 mailings were sent that had an FHA-approved lending institution logo, and referenced the web address, www.FHAdept.us. These factors combined gave the impression that the ads were from the U.S. government, or an entity affiliated with the government. Although the company is authorized to originate VA and FHA loans, it is not an agent of, or affiliated with, the U.S. government.

Source: <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-mortgage-companies-for-misrepresenting-u-s-government-affiliation/>

FEBRUARY 2015 CFPB FINES

- The third company was fined \$85,000, which was based in part, on “the company’s financial condition, and will be paid with funds contributed to the company by its owners.”

Source: <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-mortgage-companies-for-misrepresenting-u-s-government-affiliation/>

ADVERTISING – OFFICIAL LOOKING LOGOS



You cannot use government logos in your advertisements.

Why?

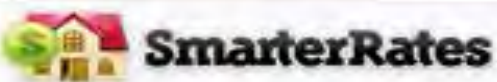
USDA Rural Development

Welcomes You → **Makes you feel like this is the USDA site, from the USDA**

The USDA Rural Development loan guaranteed Program is designed to stimulate rural development in America. USDA rural development Properties

Fill out this easy form and receive your **No Cost No Obligation Consultation**

First Name:	<input type="text"/>	Last Name:	<input type="text"/>
Email:	<input type="text"/>	Phone:	<input type="text"/>



Refinance at 2.62% (3.12% APR)



What's wrong with this Ad?

And Save Hundreds on Your Mortgage*

[Get free quotes now](#)



Get quotes from the nation's top lenders now to find the lowest rates

- \$200,000 Mortgage for \$842 / month
- 100% Free Quotes
- No Hidden Fees

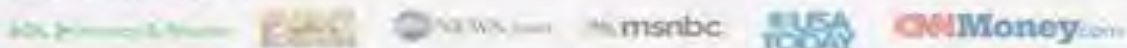


Get Quotes



No Company contact information.
No NMLS ID#.

Rate as featured in



SMARTERRATES.COM

Lowering Your
Mortgage Interest Rate
could Save Money Now!

Refinance Rates from

2.62% APR

Affordable Mortgage Payments

Example payments are for a 5/1 adjustment rate at 3.14% APR.*

\$150,000 mortgage for \$602/mo.

\$200,000 mortgage for \$802/mo.

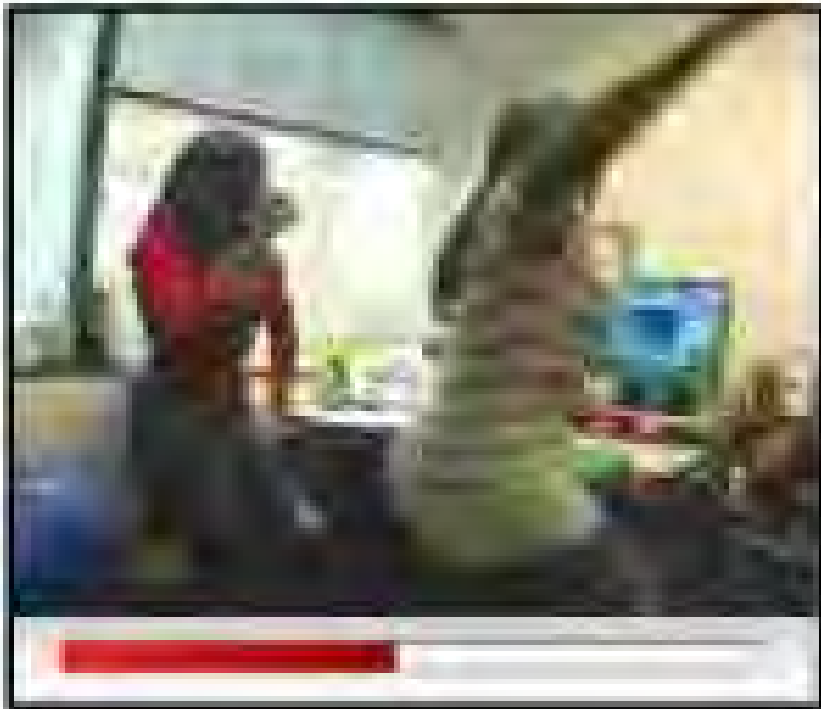
\$300,000 mortgage for \$1,204/mo.

ARM DISCLOSURES

Any problems with this
advertisement?

See Affordable Mortgage Payments

\$510,000 Mortgage for Under \$1,498/Month!



1. Select Your State

Washington

2. Select Your Rate

3.00% - 3.99%

3. Select Your Credit

Good

Calculate
New Payment



Equal Housing Opportunity Graphics for Printing

The following logos were created at 300 dpi. To download a copy using Netscape, Shift-left click on the desired size and file type. A Save As window will appear. Save the file to the directory and folder of your choice. To download a copy using Internet Explorer, right click on the link. Left click on Save Target As in the dialog box. A Save As window will appear. Save the file to the directory and folder of your choice.



0.50 inch TIF file (74 kb)
0.50 inch EPS file (109 kb)
0.50 inch BMP file (69 kb)



0.75 inch TIF file (152 kb)
0.75 inch EPS file (215 kb)
0.75 inch BMP file (147 kb)



1.00 inch TIF file (269 kb)
1.00 inch EPS file (373 kb)
1.00 inch BMP file (264 kb)



1.25 inch TIF file (399 kb)
1.25 inch EPS file (549 kb)
1.25 inch BMP file (395 kb)



1.50 inch TIF file (574 kb)
1.50 inch EPS file (789 kb)
1.50 inch BMP file (569 kb)



1.75 inch TIF file (780 kb)
1.75 inch EPS file (1.07 mb)
1.75 inch BMP file (775 kb)



Many of the advertisements we see are missing some of the most basic information, like the equal housing logo or statement.

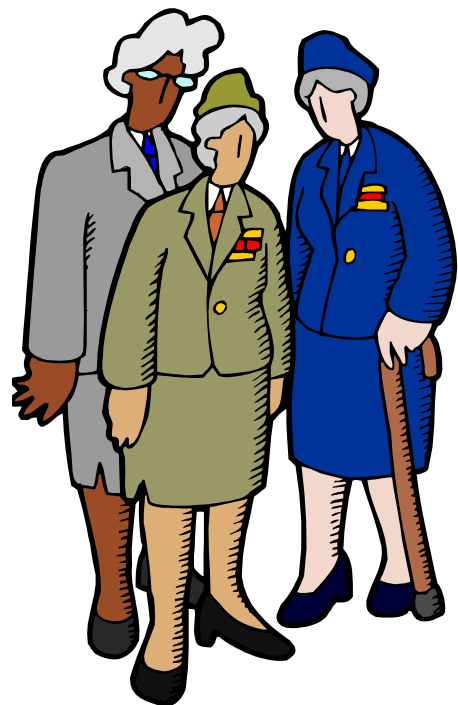
WHAT'S THE PROBLEM?

"Misrepresentations in mortgage products can **deprive consumers of important information** while making one of the biggest financial decisions of their lives. Baiting consumers with false ads to buy into mortgage products would be illegal."

-CFPB Director Richard Cordray

SOURCE: [HTTP://WWW.REUTERS.COM/ARTICLE/2012/11/19/US-FINANCIAL-REGULATION-MORTGAGES-IDUSBRE8A16920121119](http://www.reuters.com/article/2012/11/19/us-financial-regulation-mortgages-idUSBRE8A16920121119)

WHO'S THE TARGET?



The CFPB said its review of companies whose advertisements for mortgage products may mislead consumers, focused on mortgage ads that targeted **older Americans** **or veterans.**

SOURCE: [HTTP://WWW.REUTERS.COM/ARTICLE/2012/11/19/US-FINANCIAL-REGULATION-MORTGAGES-IDUSBRE8A16920121119](http://www.reuters.com/article/2012/11/19/us-financial-regulation-mortgages-idUSBRE8A16920121119)

COMPREHENSION QUESTION



- With the new Integrated Disclosures and no more TIL. What do you believe would change regarding your advertising?
- Would everything stay the same?

ADVERTISING – MORE RESOURCES

For more information about advertising rules including how to file a complaint, visit:

Click for more
information

<http://business.ftc.gov/documents/bus35-advertising-faqs-guide-small-business>



Consumer Financial
Protection Bureau

HOME INSIDE THE CFPB GET ASSISTANCE PARTICIPATE LAW & RE

HOME > NEWSROOM > CFPB TAKES ACTION AGAINST MORTGAGE KICKBACK AGREEMENTS

SEP 30 2014

CFPB Takes Action Against Mortgage Kickback Agreements

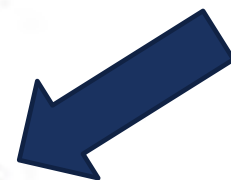
Bureau Orders Michigan Title Insurance Agency to Pay \$200,000

WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) ordered Lighthouse Title, a Michigan title insurance agency, to pay \$200,000 for illegal quid pro quo referral agreements.

“Today’s action sends a clear and simple message, that quid pro quo agreements for real estate referrals are illegal,” said CFPB Director Richard Cordray. “The Consumer Bureau will continue to take action to ensure that the mortgage market is a level playing field where everyone plays by the rules.”

The Bureau found that Lighthouse Title violated the Real Estate Settlement Procedures Act (RESPA), which prohibits, among other things, providing something of value to any person with an agreement or understanding that the person will refer real estate settlement services.

Lighthouse Title offers title insurance and other mortgage-related services to consumers. Lighthouse Title entered into marketing services agreements (MSAs) with various companies, including, for example, real estate brokers, with the understanding



M|E|C

Mortgage Educators
and Compliance

2. RESPA Prohibitions

- RESPA prohibits a real estate broker or agent from receiving a “thing of value” for referring business to a settlement service provider, or SSP, such as a mortgage banker, mortgage broker, title company, or title agent.
- RESPA also prohibits SSPs from splitting fees received for settlement services, unless the fee is for a service actually performed.

3. Exceptions to RESPA's Prohibitions

Not all referral arrangements fall under RESPA's referral restriction. In fact, RESPA and its regulation feature a number of exceptions. Three examples are:

- **Promotional and Educational Activities**
- Settlement service providers, such as mortgage bankers, mortgage brokers, title insurance companies, and title agents, can provide normal promotional and educational activities under RESPA.
- These activities must not defray the expenses that the real estate broker/agent otherwise would have had to pay.
- The activity cannot be in exchange for or tied in any way to referrals.

Most Popular

Return Buyers Expected to Boost Housing Demand

The Code of Ethics

2016 Is the Year to Complete Code of Ethics Training

Housing Statistics

NAR Applauds House Passage of Mortgage Choice Act



Help us improve the site

TERMS TO KNOW

Marketing Services Agreement:

This is an agreement between an **advertising and marketing agency and a company desiring advertising and marketing services**. The agreement sets forth the parties' rights and responsibilities, including **what the agency will produce and deliver to the company, and** how the agency will enter into third party contracts to produce the company's marketing or advertising materials.



SOURCE: [HTTP://WWW.BUSINESSWEEK.COM/SMALL-BUSINESS/BUSINESS-FORMS/MARKETING-SERVICES-AGREEMENT](http://www.businessweek.com/small-business/business-forms/marketing-services-agreement)

TERMS TO KNOW

Marketing Services Agreement: *(Continued)*



This document contains both standard clauses as well as opportunities for customization to ensure that the understandings of the parties are properly set forth.

SOURCE: [HTTP://WWW.BUSINESSWEEK.COM/SMALL-BUSINESS/BUSINESS-FORMS/MARKETING-SERVICES-AGREEMENT](http://www.businessweek.com/small-business/business-forms/marketing-services-agreement)

How does a MSA work?

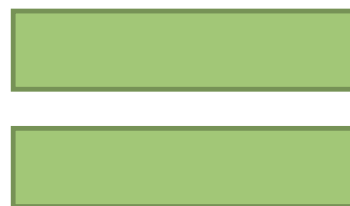
The real estate industry is ever-changing, and Realtors® are always looking for ways to increase revenue. Marketing Service Agreements (MSAs) are the newest evolution in Realtors®' efforts to generate income from sources other than buying and selling real estate.



<http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/>

INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY

MSA Dollar
Amount



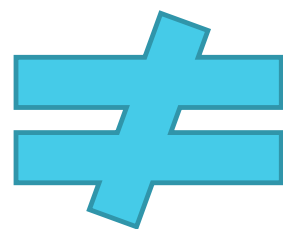
Real Estate Agent
Co-Marketing
Efforts



SOURCE: [HTTP://THESMITHSONGROUP.COM/TAG/MARKETING-SERVICE-AGREEMENTS/](http://thesmithsongroup.com/tag/marketing-service-agreements/)

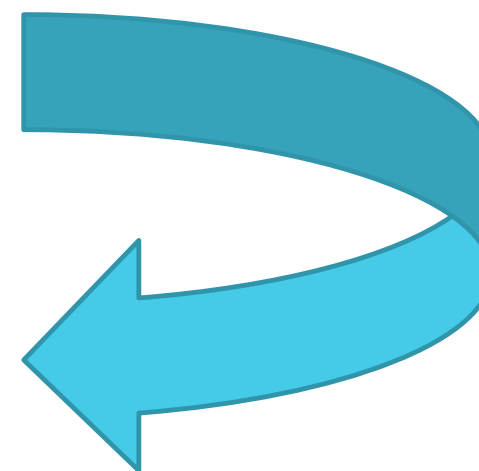
INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY

MSA Dollar
Amount don't
equal.



Real Estate Agent
Co-Marketing
Efforts

Start With 20 Basis Points*

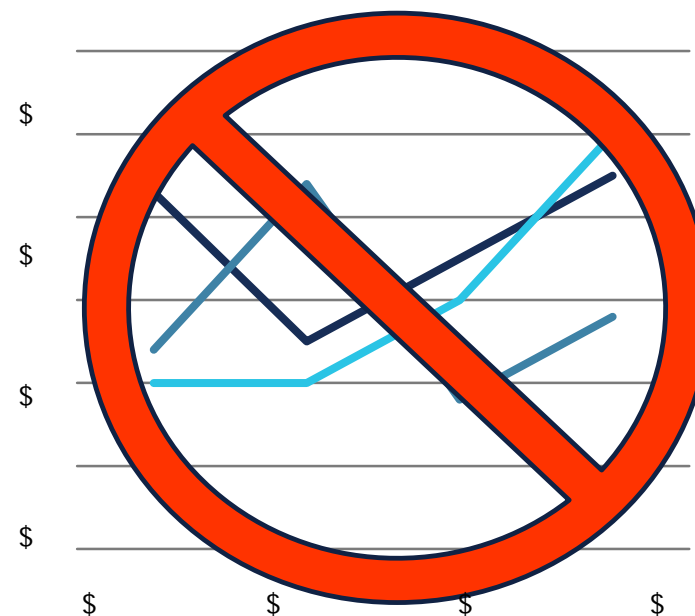


*Well, with mortgage companies you can start with 20 basis points of the total amount of funded loans the mortgage company closed with the real estate agent over the previous year.

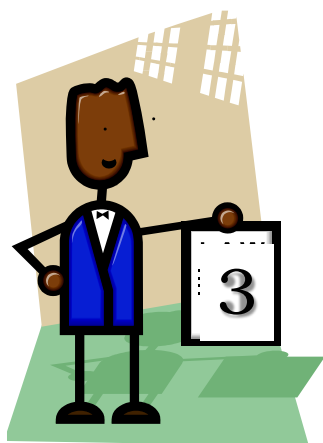


INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY

Do **NOT** adjust MSA dollar amounts frequently.

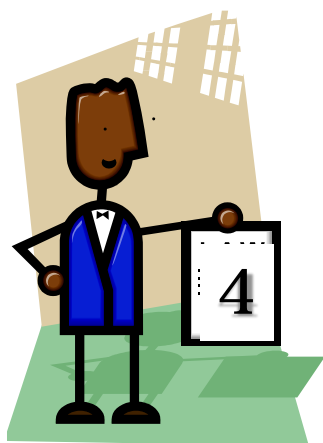
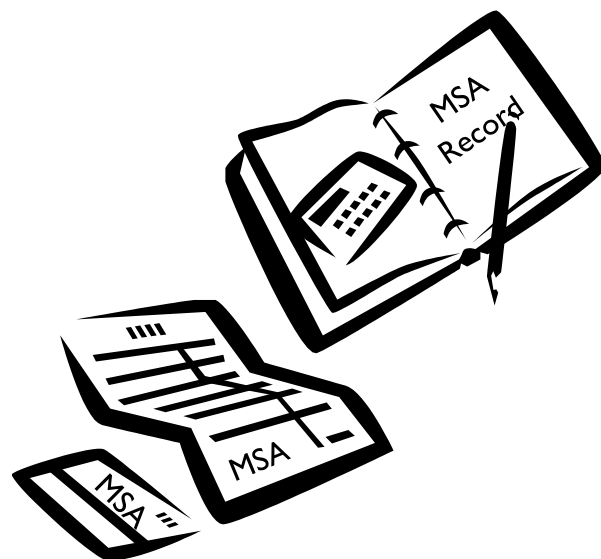


SOURCE: [HTTP://THESMITHSONGROUP.COM/TAG/MARKETING-SERVICE-AGREEMENTS/](http://thesmithsongroup.com/tag/marketing-service-agreements/)



INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY

Keep accurate records in case of an **AUDIT**.



SOURCE: [HTTP://THESMITHSONGROUP.COM/TAG/MARKETING-SERVICE-AGREEMENTS/](http://thesmithsongroup.com/tag/marketing-service-agreements/)

INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY

Disclose your MSA
to ALL clients,
buyers, and sellers.

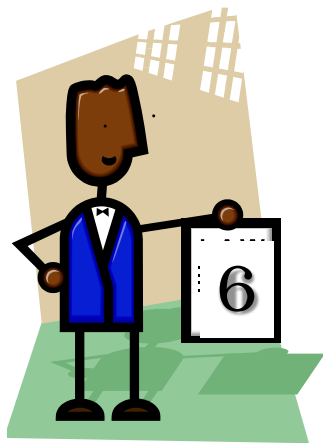


SOURCE: [HTTP://THESMITHSONGROUP.COM/TAG/MARKETING-SERVICE-AGREEMENTS/](http://thesmithsongroup.com/tag/marketing-service-agreements/)

INCREASE YOUR MARKETING DOLLAR THE RIGHT WAY



IGNORANCE
is not a defense!



SOURCE: [HTTP://THESMITHSONGROUP.COM/TAG/MARKETING-SERVICE-AGREEMENTS/](http://thesmithsongroup.com/tag/marketing-service-agreements/)

MSA KEY POINTS

What are some of the key points that you need to keep in mind when considering whether to enter into a MSA (or when looking at the agreement you already entered)?



TO MSA OR NOT TO MSA

Limit the services the real estate office is providing to advertising/marketing.

1

Essentially, the real estate office is being hired to advertise the services of the other entity; limit your services to advertising.

SOURCE:[HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

TO MSA OR NOT TO MSA

Avoid exclusivity provisions as they pose a RESPA violation risk.

2

CFPB investigators typically review “exclusive access provisions” as referral arrangements that are intended to lock-out competitors.

SOURCE:[HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

TO MSA OR NOT TO MSA

Lease agreements should be separate from MSAs.

Lease agreements are easy to analyze and any investigator will quickly ascertain that your lease agreement does – or does not – charge rent commensurate to the fair market value of the leased space.

3

SOURCE: [HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

TO MSA OR NOT TO MSA

Value your marketing services objectively.

Consider hiring help.

4

Industry experts suggest hiring an auditing or actuarial company to provide objective analyses and valuations of marketing services.

SOURCE: [HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

TO MSA OR NOT TO MSA

Track real estate services to follow MSA expectations.

5

If a real estate office is being paid for services that it is not performing, then the real estate office and the company paying the real estate office are both violating RESPA.

SOURCE: [HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

MARKETING SERVICE AGREEMENTS - CAUTIONS



The agreements, in and of themselves, are permitted under RESPA; however, it is important to make sure that the relationship between the real estate office and the Provider is not tied to sales or productivity.

MARKETING SERVICE AGREEMENTS - CAUTIONS

Prosecutions by the Consumer Finance Protection Bureau (CFPB) for RESPA violations have markedly increased, and the trend of CFPB prosecutions suggests that MSAs are now being looked at much more closely by the CFPB.



MARKETING SERVICE AGREEMENTS - CAUTIONS

Not sure if your MSA would pass a RESPA analysis?

Have your attorney review all marketing service agreements (MSAs) SPECIFICALLY within the context of complying with RESPA's limitations and guidelines.



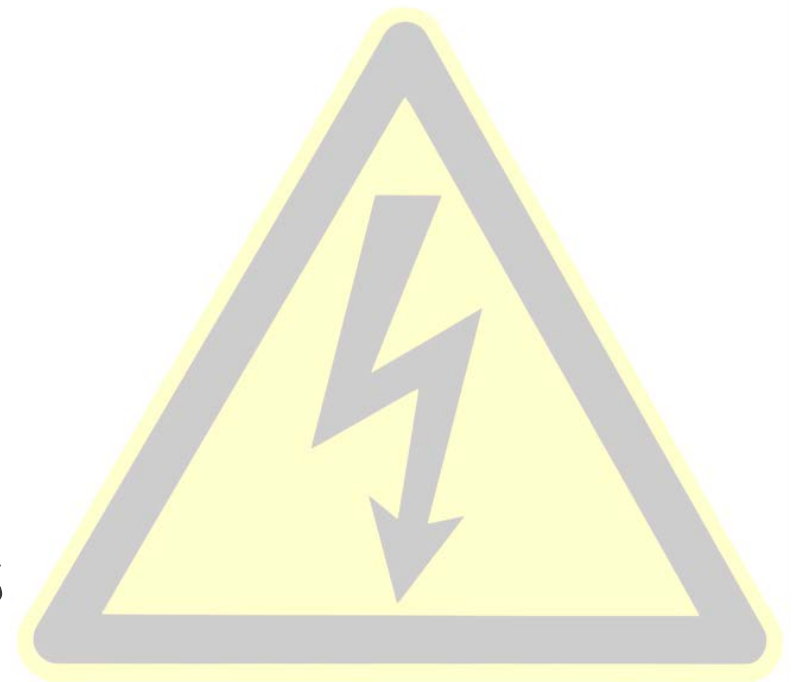
SOURCE:[HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

CONSEQUENCES OF AN MSA THAT VIOLATES RESPA

The CFPB may **fine** companies up to **\$5,000 a day** for violating RESPA.

If the violation was **reckless**, those fines can **increase to \$25,000 per day**.

In **extreme circumstances** when a company knowingly violates or ignores the provisions of RESPA, the CFPB is authorized to levy fines up to **\$1,000,000 per day**.



CASE STUDY – RESPA VIOLATION



Recently, a Missouri lender's **rental agreement** with a mortgage broker was found to have violated RESPA.

The mortgage company was hit with costs and fines exceeding \$81,000!

SOURCE: [HTTP://WWW.PARJUSTLISTED.COM/KEY-POINTS-TO-CONSIDER-WHEN-ENTERING-INTO-A-MSA/](http://www.parjustlisted.com/key-points-to-consider-when-entering-into-a-msa/)

The CFPB does not tread lightly
when it undertakes investigations
of RESPA violations, and neither
should you!

END OF COURSE REVIEW

1. BREAK INTO GROUPS
2. LIST 5 THINGS YOU HAVE LEARNED TODAY
3. COME UP WITH A QUESTION FOR ANOTHER GROUP BASED ON TODAY'S COURSE

THANK YOU!

PLEASE FILL OUT THE COURSE COMPLETION FORM AND
PICK UP YOUR CERTIFICATE FROM THE INSTRUCTOR.

CE hours are banked within 7 days.
If you have questions, please call us at 877-403-1428.

COURSE COMPLETE