The Truth in Lending Act and Proposed TILA Rule

William A. Anderson
Vice President of Best Practices and eNotarization
Poll Question

Tell us about yourself:

a. This is my first NSA Webinar
b. I have attended 1 previous NSA Webinar
c. I have attended more than 2 NSA Webinars
d. I have attended all 6 NSA Webinars
Presentation Goals

1. What Is TILA?
2. TILA Loan Documents
3. Notice of Right to Cancel
4. Proposed TILA Rule
Poll Question

The TILA is a federal law that regulates:

a. Commercial loan transactions
b. Purchase loan transactions
c. Most refinance loan transactions
d. Reverse mortgage transactions
e. Both c. and d.
Why a Webcast on a Proposed TILA Rule?

**Regulations affect your livelihood**

- This is *your* profession and new regulations may directly affect your duties.

**You need to stay ahead of the curve**

- Your hiring companies expect you to be in the know about all matters that pertain to your job.

**You can submit public comments**

- Tell the Federal Reserve Board whether their proposed rule is a good idea or tell them what you would do to change it.
Truth in Lending Act

At a Glance

• The TILA was enacted in 1968 as Title 1 of the Consumer Credit Protection Act (15 U.S.C. § 1601 et seq.).
• Official “Staff Commentary” interprets Regulation Z.
• The TILA has been modified in 1974, 1976, 1980, 1988, 1994 and 1995. Regulation Z likewise has been amended many times since its initial publication.
About the TILA

- Strengthens competition among lenders
- Promotes informed use of credit by consumers
- Requires standard disclosure of credit terms
- Standardizes costs associated with borrowing
- Regulates credit card practices
- Provides for fair resolution of billing disputes
- Right to cancel for certain mortgage loans
Proposed TILA Rule

At a Glance

- Deals with Notice of Right to Cancel and proposes a new NRTC form and rescission guidelines.
- Also requires new disclosures for reverse mortgage and certain loan modification transactions.
Poll Question

Which of the following loan documents is required under the TILA:

a. The Good Faith Estimate of Settlement Costs
b. The Itemization of Amount Financed
c. The Notice of Right to Cancel
d. The Note
e. Both b. and c.
TILA Disclosures

- TIL Disclosure Statement
- Itemization of Amount Financed
- Notice of Right to Cancel
- Reverse Mortgage Disclosure
- Variable Rate Disclosure
- Section 32 (HOEPA) Disclosure
# FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

(This is neither a contract nor a commitment to lend)

**Loan Number:** 200911000  
**Date:** FEBRUARY 12, 2010  
**Creditor:** TRISTAR FINANCIAL CORP.  
**Address:** 1000, LOS ANGELES, CALIFORNIA 90025

**Borrower(s):** RICHARD WILLIAM ROGERS

**Address:** 8624 OAKLAWN AVENUE, NO. 13 (CANOGA PARK AREA), LOS ANGELES, CALIFORNIA 91304

Disclosures marked with an "x" are applicable:

## Disclosures

<table>
<thead>
<tr>
<th>Annual Percentage Rate</th>
<th>Finance Charge</th>
<th>Amount Financed</th>
<th>Total of Payments</th>
<th>Total Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of your credit as a yearly rate</td>
<td>The dollar amount the credit will cost you</td>
<td>The amount of credit provided to you or on your behalf</td>
<td>The amount you will have paid after you have made all payments as scheduled</td>
<td>The total cost of your purchase on credit including your down payment of</td>
</tr>
<tr>
<td>5.343 %</td>
<td>$198,833.15</td>
<td>$197,119.68</td>
<td>$395,952.83</td>
<td>$</td>
</tr>
</tbody>
</table>

## PAYMENTS: Your payment schedule will be:

<table>
<thead>
<tr>
<th>Number of Payments</th>
<th>Amount of Payment **</th>
<th>When Payments Are Due</th>
<th>Number of Payments</th>
<th>Amount of Payment **</th>
<th>When Payments Are Due</th>
<th>Number of Payments</th>
<th>Amount of Payment **</th>
<th>When Payments Are Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Beginning</td>
<td>359</td>
<td>1,099.86</td>
<td>Monthly Beginning</td>
<td>1</td>
<td>1,103.09</td>
<td>Monthly Beginning</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**DEMAND FEATURE:** This obligation has a demand feature.

**VARIABLE RATE FEATURE:** Your loan contains a variable rate feature. Disclosures about the variable rate feature have been provided to you earlier.

**PROPERTY INSURANCE:** You may obtain fire and other hazard insurance from anyone you want that is acceptable to the Creditor.

**NO OBLIGATION:** You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.

**SECURITY:** You are giving a security interest in: The goods or property being purchased: Real property you already own.

**FILEING FEES:** $115.00

**LATE CHARGE:** If payment is more than 15 days late, you will be charged 6.000 % of the payment.

**PREPAYMENT:** If you pay off early, you

- [x] may not have to pay a penalty.
- [x] may not be entitled to a refund of part of the finance charge.

**ASSUMPTION:** Someone buying your property

- [x] may, subject to conditions may not assume the remainder of your loan on the original terms.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date and prepayment refunds and penalties.

“e” means an estimate  
All dates and numerical disclosures except the late payment disclosures are estimates.

Each of the undersigned acknowledge receipt of a complete copy of this disclosure. The disclosure does not constitute a contract or a commitment to lend.

Applicant: RICHARD WILLIAM ROGERS  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  
Applicant:  
Date:  

**NOTE:** Payments shown above do not include reserve deposits for taxes, assessments, and property or flood insurance.
ITEMIZATION OF AMOUNT FINANCED

Amount given to you directly $  
Amount paid on your account  
   Insurance Reserves 134.49  
   Tax Reserves 537.50  
   Other Reserves -44.83  
   Aggregate Adjustment  
Amount paid to others on your behalf:  
   Appraisal Fee to: B & K APPRAISAL SERVICES, INC. 375.00 (375.00 POC/B)  
   Credit Reporting Fee  
   Hazard Insurance Premium  
   Document Preparation Fee to: FIRST TITLE COMPANY 185.00  
   Notary Fee  
   Title Ins. Premium  
   Recording Fee  
   RECORING MORTGAGE FEE to: FIRST TITLE COMPANY 115.00  
   APPRAISAL FEE to: B & K APPRAISAL SERVICES, INC. 375.00  
   LENDER'S TITLE INSURANCE Fee to: FIRST TITLE COMPANY 416.00  
   TITLE ENDORSEMENT Fee to: FIRST TITLE COMPANY 50.00  
   APPRAISAL REVIEW Fee to: B & K APPRAISAL SERVICES, INC. 40.00  
   HOA Fee to: FIRST TITLE COMPANY 90.00 (90.00 POC/B)  
   INSURANCE CERT to: FIRST TITLE COMPANY 125.00  
   COUNTY PROPERTY TAX to: FIRST TITLE COMPANY 1,082.38  
   HOA DUES to: FIRST TITLE COMPANY 190.00  
   HO6 to: FIRST TITLE COMPANY 538.00  

Loan Proceeds to: SOUTHERN ESCROW $193,376.14  

AMOUNT FINANCED $ 197,119.68  
Prepaid Finance Charge $ 4,880.32  

Itemization of Prepaid Finance Charge:  
   Loan Origination Fee to: TRISTAR FINANCIAL $ 2,020.00  
   Loan Discount Fee to: TRISTAR FINANCIAL $.00  
   Tax Service Fee  
      Prepaid Interest (12 days) @ 5.125% per annum 340.32  
   Mge. Ins. Premium  
   Mge. Ins. Reserves  
   Origination Fee  
      TIE IN FEE to: SOUTHERN ESCROW 250.00  
      ESCROW FEE to: SOUTHERN ESCROW 705.00  
      SUB ESCROW FEE to: FIRST TITLE COMPANY 70.00  
      PROCESSING FEE to: TRISTAR FINANCIAL CORP. 495.00  
      UNDERWRITING Fee to: TRISTAR FINANCIAL CORP. 795.00  
      ELECTRONIC DELIVERY to: SOUTHERN ESCROW 100.00  
      COURIER FEE to: SOUTHERN ESCROW 60.00  
      WIRE FEE to: FIRST TITLE COMPANY 45.00  

Total Prepaid Finance Charge $ 4,880.32  

The undersigned acknowledge receiving and reading a completed copy of this disclosure.

(Borrower) RICHARD WILLIAM ROGERS (Date) (Borrower) (Date) (Borrower) (Date)
(Borrower) (Date) (Borrower) (Date) (Borrower) (Date)
NOTICE OF RIGHT TO CANCEL

LENDER: Quest Mortgage Company     DATE: June 14, 2002
LOAN NO.: 0035671320 - 9551
TYPE: ADJUSTABLE RATE

BORROWER(S):      JANE WEBBER
ADDRESS:       857 EAST 152ND STREET
CITY/STATE/ZIP:     LOS ANGELES, CA 90002
PROPERTY:     857 EAST 152ND STREET
               LOS ANGELES, CA 90002

You are entering into a transaction that will result in a mortgage/lien/security interest on your home. You have a legal
right under federal law to cancel this transaction, without cost, within THREE BUSINESS DAYS from whichever of the
following events occurs last:

1. The date of the transaction, which is            ; or

2. The date you received your Truth in Lending disclosures; or

3. The date you received this notice of your right to cancel.

If you cancel the transaction, the mortgage/lien/security interest is also cancelled. Within 20 CALENDAR DAYS after we
receive your notice, we must take the steps necessary to reflect the fact that the mortgage/lien/security interest on your
home has been cancelled, and we must return to you any money or property you have given to us or anyone else in
connection with this transaction.

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

HOW TO CANCEL
If you decide to cancel this transaction, you may do so by notifying us in writing, at:

Quest Mortgage Company          ATTN: FUNDING
5500 Town Rd, Suite 900               PHONE: (714) 479-0355
Orange, California 92868               FAX: (714)347-1555

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use
this notice by dating and signing below. Keep one copy of this notice because it contains important information about your
rights.

If you cancel by mail or telegram, you must
send the notice no later than MIDNIGHT of

(or MIDNIGHT of the THIRD BUSINESS DAY following the latest of the three events listed above). If you send or deliver
your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I WISH TO CANCEL

SIGNATURE       DATE

The undersigned each acknowledge receipt of two copies of this NOTICE OF RIGHT TO CANCEL and one copy of the
Federal Truth in Lending Disclosure Statement, all given by lender in compliance with Truth in Lending Simplification and
Reform Act of 1980 (Public Law 96-221).

Each borrower in this transaction has the right to cancel. The exercise of this right by one borrower shall be effective to all
borrowers.

BORROWER/OWNER JANE WEBBER   Date   BORROWER/OWNER   Date
BORROWER/OWNER       Date   BORROWER/OWNER    Date

LENDER COPY
Total Annual Loan Cost Rate

Borrower Name/Case Number:  Example /  Refinance:  No

**LOAN TERMS**
- Age of Youngest Borrower: 75
- Property Value: $200,000.00
- Initial Interest Rate: 5.685%
- Monthly Advance: $0.00
- Length of Term:
  - Initial Advance: $129,083.01
  - Lien Payoffs with Reverse Mortgage: $0.00
  - Initial Line Of Credit: $0.00

**INITIAL LOAN CHARGES**
- Mortgage Insurance Premium: $4,000.00
- Other Closing Costs: $6,517.85
- POC Closing Costs: $350.00
- Annuity Cost: $0.00

**MORTGAGE INSURANCE PREMIUM**
- Monthly Advance: $30.00
- Mortgage Insurance: 0.500% annually

**OTHER CHARGES**
- Shared Appreciation: None

**REPAYMENT LIMITS**
- Net proceeds estimated at 93% of projected home sale

<table>
<thead>
<tr>
<th>Appreciation Rate</th>
<th>Disclosure Period (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 Years</td>
</tr>
<tr>
<td>0%</td>
<td>10.844%</td>
</tr>
<tr>
<td>4%</td>
<td>10.844%</td>
</tr>
<tr>
<td>8%</td>
<td>10.844%</td>
</tr>
</tbody>
</table>

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for four loan terms: 2 years, half of life expectancy for someone your age, that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs and servicing costs (but not disposition costs—costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes. You may receive projections of loan balances from counselors or lenders that are based on an expected average mortgage rate that differs from the initial interest rate.

SIGNING AN APPLICATION OR RECEIVING THESE DISCLOSURES DOES NOT REQUIRE YOU TO COMPLETE THIS LOAN

Example  Date
Truth In Lending Disclosure

You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.

<table>
<thead>
<tr>
<th>ANNUAL PERCENTAGE RATE*</th>
<th>FINANCE CHARGE</th>
<th>Amount Financed</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of your credit as a yearly rate.</td>
<td>The dollar amount the credit will cost</td>
<td>The amount of credit provided to you or on your behalf.</td>
<td>The amount you will have paid after you have made all payments as scheduled.</td>
</tr>
<tr>
<td>7.054% e</td>
<td>$166,371.72 e</td>
<td>$131,419.86 e</td>
<td>$297,791.58 e</td>
</tr>
</tbody>
</table>

Your payment schedule will be:

<table>
<thead>
<tr>
<th>Number of Payments</th>
<th>Amount of Payments*</th>
<th>When Payments Are Due**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>$297,791.58 e</td>
<td>8/25/2021 e</td>
</tr>
</tbody>
</table>

This obligation has a demand feature.

You may obtain property insurance from anyone you want that is acceptable to Senior Independence, LLC

**Security:** You are giving a security interest in real property located at

**Prepayment:** If you pay off all or part of the loan early, you will not have to pay a penalty, and will not be entitled to a refund of any finance charge.

**Assumption:** Someone buying your home cannot assume the remainder of the mortgage.

See your contract documents for any additional information about nonpayment, default, and any required repayment in full before or after the scheduled date.

*e means an estimate

* This disclosure assumes full repayment of the amount advanced plus all accrued finance charges, although the amount you may be required to pay is limited by your contract documents.

** This disclosure assumes that you will pay off your loan upon reaching the indicated date. This date is based on an estimated life expectancy of the borrower or youngest borrower if there is more than one borrower. However, your loan is due and payable upon the first to occur of any Maturity Event as defined by your contract document.

Example

Date
VARIABLE RATE MORTGAGE PROGRAM DISCLOSURE

LENDER: ANPAC FUNDING CORP. D/B/A ANPAC LENDING GROUP, A CALIFORNIA CORPORATION

VARIABLE RATE LOAN PROGRAM

Six (6) Month LIBOR ARM -- First 5 Years Interest-Only Payments

This variable rate loan program disclosure describes the features of the adjustable rate mortgage ("ARM") program you are considering. Information on other ARM programs is available upon request. This is neither a contract nor a commitment to lend. If you do obtain a loan from the Lender, the Note, Security Instrument and related documents will establish your legal rights and obligations. Because the Lender may sell any loan it makes, the purchaser of the loan ("Noteholder") may enforce the terms of any loan obtained from the Lender. You will be required to make payments to the Noteholder or a Servicer the Noteholder designates. For purposes of easy reference, the term Lender is used below and refers to the initial Lender or purchaser of the Note.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- During the period that you make payments of interest only, your payments will be based on the interest rate and loan balance. After that period, your payment will be based on the interest rate, loan balance and remaining loan term.
- Your interest rate will be based on an index rate plus a margin. The index upon which the interest rate will be based is the yearly average of interbank offered rate for six-month U.S. Dollar denominated deposits in the London market ("LIBOR").
- Information about the current index is published in the Wall Street Journal.
- This ARM loan may have a discount feature, and your initial interest rate may not be based on the index used to make later adjustments. Ask about our current discount rate.
- Your interest rate will equal the index rate plus your margin unless your interest rate ‘caps’ limit the amount of change in the interest rate.
- During the first five (5) years, interest only payments will be required to be made. This means that the regular monthly payments will not reduce the principal balance during the first five (5) years of your loan.
- Beginning in year six (6), the payment will be amortized over the remaining term and applied towards principal and interest.

HOW YOUR INTEREST RATE CAN CHANGE

- Your interest rate can change every 6 months beginning approximately 6 months after your loan closes. These are known as the “Change Dates”.
- Your new interest rate will be equal to the sum of the margin and index value published on the first business day of the month in the month prior to the Change Date subject to the restrictions described below.
- Your interest rate cannot increase or decrease more than one percentage point (1.000000) at each adjustment thereafter (a “cap”). Your interest rate can never be less than your margin (a “cap”).
- Your interest rate can never increase by more than six percentage points (6.000000) above the start rate (a “cap”).
- Your interest rate will be rounded to the nearest 0.125% at each adjustment.

HOW YOUR MONTHLY PAYMENT CAN CHANGE

- Your monthly payment can increase or decrease substantially every 6 months beginning approximately 6 months after your loan closes based on changes to the interest rate. You will begin making your new monthly payments on the first payment due date after each Change Date.
- At each Change Date during the interest-only period the lender will recalculate your monthly payment to be an amount necessary to fully repay the accrued interest at the then current interest.
- If you make a voluntary prepayment of principal during the interest-only period, your payment amount for subsequent payments will be reduced to the amount necessary to pay interest at the then current interest rate on the lower unpaid principal balance.
- At each Change Date after the interest-only period, the lender will recalculate your monthly payment based on an amount necessary to fully repay the unpaid principal balance at the then current interest rate on the maturity date in substantially equal monthly payments. You will be notified in writing at least 25 calendar days before the monthly adjustment is made. This notice will contain information about your index, interest rate, payment amount and loan balance.
- For example, on a new $10,000, 30 year loan with an initial interest rate of 4.375% in effect in December, 2001, the maximum amount that the interest rate could rise under this example is 10.375%, and the payment amount could rise from a beginning payment of $36.46 to a maximum of $86.46 in 3 years based on an interest-only payment during the 3 years. You will begin making monthly payments of principal and interest in the 6th year. (For example, the monthly payment for a mortgage amount of $60,000/$10,000 = 6; 6 x $36.46 = $218.76.) To compute the above example we used a margin value and interest rate we have used recently. Your margin value and interest rate may be different and you should ask about what is the current margin value and interest rate.

I/We hereby acknowledge receipt of this variable rate program disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on the date indicated below.

Date:

Signature

Signature
TRUTH-IN-LENDING DISCLOSURE (FOR SECTION 32 MORTGAGES)

NAME(S)/ADDRESS(ES) OF BORROWER(S) ("Borrower," "you" or "your")

NAME(S)/ADDRESS(ES) OF LENDER (CREDITOR) ("Lender," "us" or "our")

PROPERTY ADDRESS

NOTICE

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the Lender will have a mortgage on your home. YOU COULD LOSE YOUR HOME AND ANY MONEY YOU HAVE PUT INTO IT, IF YOU DO NOT MEET YOUR OBLIGATIONS UNDER THE LOAN.

You are borrowing $ (optional credit insurance ☐ is ☑ is not included in this amount).

The annual percentage rate on your loan will be %.

Your regular Monthly payment will be $

☐ At the end of your loan, you will still owe us: $

☐ Your interest rate may increase. Increases in the interest rate could increase your payment.

The highest amount your payment could increase to is

LOAN NUMBER

TRANSACTION DATE

SIGNATURES

By signing below you acknowledge receipt of a completed copy of this disclosure. You understand that this is not a contract and does not reflect all of the terms and conditions of the mortgage transaction to which the disclosures in this form relate.

X ___________________________ X ___________________________
DATE DATE
Friendly Reminders!!

TIL

Sign

Date

NRTC

Sign

Date

© 2010 National Notary Association
## Truth-in-Lending Disclosure Statement

(This is neither a contract nor a commitment to lend)

**LENDER OR LENDER’S AGENT:**
Embrace Home Loans, Inc.
25 Enterprise Center
Newport, RI 02842

**BORROWERS:**

**ADDRESS:**

**CITY/STATE/ZIP:**

**PROPERTY:**

<table>
<thead>
<tr>
<th>ANNUAL PERCENTAGE RATE</th>
<th>FINANCE CHARGE</th>
<th>Amount Financed</th>
<th>Total of Payments</th>
</tr>
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<tbody>
<tr>
<td>The cost of your credit as a yearly rate.</td>
<td>The dollar amount the credit will cost you.</td>
<td>The amount of credit provided to you or on your behalf.</td>
<td>The amount you will have paid after you have made all payments as scheduled.</td>
</tr>
<tr>
<td>5.529%</td>
<td>$174,174.59</td>
<td>$168,766.23</td>
<td>$342,940.82</td>
</tr>
</tbody>
</table>

**PAYMENT SCHEDULE:**

<table>
<thead>
<tr>
<th>NUMBER OF MONTHLY PAYMENTS</th>
<th>AMOUNT OF PAYMENTS</th>
<th>NUMBER OF MONTHLY PAYMENTS</th>
<th>AMOUNT OF PAYMENTS</th>
<th>PAYMENTS ARE DUE BEGINNING</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>1,012.34</td>
<td>09/01/10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1,011.26</td>
<td>08/01/11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1,010.13</td>
<td>08/01/12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1,008.93</td>
<td>08/01/13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1,007.68</td>
<td>08/01/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>300</td>
<td>941.36</td>
<td>08/01/15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>941.08</td>
<td>08/01/40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DEMAND FEATURE:**

This loan does not have a Demand Feature.

**VARIABLE RATE FEATURE:**

This loan has a Variable Rate Feature. Variable Rate Disclosures have been provided to you earlier.

**SECURITY:**

You are giving a security interest in the property located at:

**ASSUMPTION:**

Someone buying this property cannot assume the remaining balance due under original mortgage terms. You may assume, subject to lender's conditions, the remaining balance due under original mortgage terms.

**PROPERTY INSURANCE:**

Property hazard insurance in the amount of $175,358.00 with a mortgagee clause to the lender is a required condition of this loan. Borrower may purchase this insurance from any insurance company acceptable to the lender.

Hazard insurance is not available through the lender at an estimated cost of $124.00 for a year term.

**LATE CHARGES:**

If your payment is more than 15 days late, a late charge of 4.00% of the overdue principal and interest will be assessed (4.00% or $37.65 whichever is less).

**PREPAYMENT:**

If you pay off your loan early, you may not be entitled to a refund of part of the finance charge.

You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.

I/We hereby acknowledge reading and receiving a complete copy of this disclosure.

John J Smith
BORROWER/DATE

Jane J Smith
BORROWER/DATE
Borrowers need to sign exactly how their names appear and date for the day the executed the documents. Equity’s LPOA does not cover this documents.
Notice of Right to Cancel

Lender: Embrace Home Loans, Inc.
Borrower / Owner: John J. Smith
Address: 100 Main Street
City / State / Zip: Centerville RI 00000
Property: 100 Main Street Centerville RI 00000

Date: July 29, 2010
Loan #: 2010-XXXXXXX
Type: conv

Your Right to Cancel
You are entering into a transaction that will result in mortgage / lien / security interest on / in your home. You have a legal right under federal law to cancel this transaction, without cost, within THREE BUSINESS DAYS from whichever of the following events occurs last:

(1) The date of this new transaction, which is July 29, 2010; or
(2) The date you received your Truth In Lending disclosures; or
(3) The date you received this notice of your right to cancel.

If you cancel this transaction, the mortgage / lien / security interest is also cancelled. Within 20 CALENDAR DAYS after we receive your notice, we must take the steps necessary to reflect the fact that the mortgage / lien / security interest on / in your home has been cancelled and we must return to you any money or property you have given to us or anyone else in connection with this transaction.

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

HOW TO CANCEL

If you decide to cancel this new transaction, you may do so by notifying us in writing at:
Embrace Home Loans, Inc.
25 Enterprise Center, Newport, RI 02842

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.

If you cancel by mail or telegram, you must send the notice no later than MIDNIGHT of August 2, 2010 (or MIDNIGHT of the THIRD BUSINESS DAY following the latest of the three events listed above).

If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I WISH TO CANCEL

Consumer's Signature
Date

The undersigned acknowledges receipt of three copies of NOTICE OF RIGHT TO CANCEL and one copy of the Federal Truth In Lending Disclosure Statement.

Each borrower / owner in this transaction has a right to cancel. The exercise of this right by one borrower / owner shall be effective as to all borrowers / owners.

John J. Smith

The Right to Cancel must be signed exactly how the borrowers names appears and dated for the day of the closing.
Poll Question

Christmas is on Sunday. Therefore, Monday, a federal holiday, is not counted as a business day for the rescission period.

a. True  
b. False
When Right to Cancel Applies

- A right to cancel applies in credit transactions in which a security interest is or will be retained or acquired in a consumer’s principal dwelling.
- In general, a right to cancel applies to refinance loans made on your primary residence.
- A right to cancel applies to first and second refinance and HELOC loans.
- A right to cancel applies to reverse mortgage loans.
When Right to Cancel Does Not Apply

Exceptions

• Purchase transactions (loan to acquire a home)
• Refinance loans with same lender (For “cash out” refinance loans financed with same lender, the cash-out portion is subject to rescission)
• Non-primary residence loans (vacation, rental or income properties)
• Transactions in which lender is a state agency
• Transactions in which money borrowed is used for a private business
When the Clock Starts Ticking

Rescission period begins from whichever of the following events occurs last:

- Date of Transaction
- Date NRTC Received
- Date TIL Received
The Rescission Period

- Rescission period runs until midnight of the third business day following consummation, delivery of the NRTC form, or delivery of all material disclosures, whichever occurs last.

- If the NRTC form or material disclosures are not delivered, the right to rescind expires 3 years after consummation of the loan, upon transfer of the consumer’s interest in the property or upon sale of the property, whichever occurs first.
Exercising Right to Cancel

- Each borrower or person with an ownership interest in the property, such as a non-borrowing spouse who is on title, receives 2 copies of the NRTC form.
- Anyone with an ownership interest in the property has the right to rescind.
- Cancellation by one eligible consumer is sufficient to cancel the loan.
- Cancellation may be made by mail, telegram or other means of written communication.
What Is a Business Day?

Every Day - Sunday - Federal Holidays* = Business Day

*Federal Holidays

New Year’s Day
Martin Luther King Jr.’s birthday
Presidents Day
Memorial Day
Independence Day

Labor Day
Columbus Day
Veterans Day
Thanksgiving Day
Christmas Day
Date-Specific Federal Holidays

- New Years Day
- 4th of July
- Veterans Day
- Christmas Day
2. Rule for rescission, disclosures for certain mortgage transactions, and private education loans. A more precise rule for what is a business day (all calendar days except Sundays and the Federal legal holidays specified in 5 U.S.C. 6103(a)) applies when the right of rescission, the receipt of disclosures for certain dwelling-secured mortgage transactions under §§ 226.19(a)(1)(ii), 226.19(a)(2), 226.31(c), or the receipt of disclosures for private education loans under § 226.46(d)(4) is involved. Four Federal legal holidays are identified in 5 U.S.C. 6103(a) by a specific date: New Year's Day, January 1; Independence Day, July 4; Veterans Day, November 11; and Christmas Day, December 25. When one of these holidays (July 4, for example) falls on a Saturday, Federal offices and other entities might observe the holiday on the preceding Friday (July 3). In cases where the more precise rule applies, the observed holiday (in the example, July 3) is a business day.

---Federal Reserve Board’s Truth in Lending Official Staff Commentary to Regulation Z Section 226.2 2(a)(6)(2)
Poll Question

Calendar for July 2010 (United States)

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>3</td>
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<tr>
<td>4th of July</td>
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<tr>
<td>5</td>
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<td></td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>July 4 Observed</td>
<td>4th of July</td>
<td></td>
<td></td>
<td>11</td>
<td>12</td>
<td>13</td>
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<td>28</td>
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<td>30</td>
<td>31</td>
<td></td>
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</tr>
</tbody>
</table>

Phases of the moon: 4: , 11: , 18: , 25: 

Holidays and Observances: 4: Independence Day, 5: 'Independence Day' observed

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Poll Question

Sign: July 3 (Saturday)
July 4: Sunday
July 5: federal holiday observed (Monday)

When does the rescission period end?

a. Midnight Wednesday, July 7, 2010
b. Midnight Thursday, July 8, 2010
Poll Question

Calendar for July 2010 (United States)

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
|     |     |     |     |     |     | **Sign** (Sign)
|     |     |     |     |     |     | **Loan** (Loan) |
| **4th of July** | **5** | Business Day 1 | **6** | Business Day 2 | **7** | Business Day 3 | 8 | 9 | 10 |
| 11  | 12  | 13  | 14  | 15  | 16  | 17  |
| 18  | 19  | 20  | 21  | 22  | 23  | 24  |
| 25  | 26  | 27  | 28  | 29  | 30  | 31  |

Phases of the moon: 4: , 11: , 18: , 25: 

**Holidays and Observances:** 4: Independence Day, 5: *Independence Day* observed
**Poll Question**

**Calendar for December 2010 (United States)**

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
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<td>27</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

**Phases of the moon:** 5, 13, 21, 27, 31

**Holidays and Observances:** 24: 'Christmas Day' observed, 24: Christmas Eve, 25: Christmas Day, 31: 'New Year's Day' observed
Poll Question

Sign: Wed. 12/22/10
XMAS: Sat. 12/25/10
XMAS Eve: Fri. 12/24/10 (federal holiday observed)
When does the rescission period end?
a. Monday, December 27, 2010
b. Tuesday, December 28, 2010
Poll Question

Calendar for December 2010 (United States)

Phases of the moon: 5 ☿ 13 ☿ 21 ☿ 27 ☿

## Rescission Pain Points

<table>
<thead>
<tr>
<th>Calculating Rescission</th>
<th>Format of NRTC Form</th>
<th>Two-Copy Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consumers struggled with knowing when 3-day rescission expired based on the later of consummation, or delivery of disclosures or NRTC form.</td>
<td>• Consumer testing showed that when rescission information was presented in a certain manner, comprehension improved.</td>
<td>• Creditors said two-copy rule imposes litigation risks when consumer alleges an extended right to rescind based on failure to receive 2 copies.</td>
</tr>
</tbody>
</table>

© 2010 National Notary Association
Proposed Notice of Right to Cancel

Content Changes

Format Changes
Content Changes to NRTC

NRTC would include the calendar date when the 3-business-day rescission period expires, without the explanation of how to calculate the deadline.

NRTC would include a statement that the consumer’s right to cancel the loan may extend beyond the date stated in the notice and in that case, the consumer must send the notice to either the current owner of the loan or the loan servicer.
Format Changes to NRTC

**Tabular Format**
- NRTC now presented in narrative format like the new Good Faith Estimate.

**1-Page Form**
- Information appears on one page and separate from other unrelated material.

**10-point Type Size**
- Easier to read and helps consumer focus on the “date.”

**New “Tear Off”**
- Bottom part is detached and sent in to cancel the loan.
Your Right to Cancel This Loan

You Could Lose Your Home
You are giving us the right to take your home if you do not repay the money you owe under this loan.

Your Right to Cancel
You have the right under federal law to cancel this loan on or before the date stated below. Under federal law, we cannot make any funds available to you until after this date.

If You Cancel
If you cancel, we will:
• Not charge you a cancellation fee; and
• Refund to you any fees you paid to get this loan.

How to Cancel
To cancel, you may submit the bottom portion of this notice to Community Bank at 1234 Main Street, Greenville, NY, 12345 or 1-800-555-1212 (fax).

Deadline to Cancel
If you want to cancel this loan, you must submit the bottom portion of this notice on or before May 14, 2010.*

*In certain circumstances, your right to cancel this loan may extend beyond this date. In that case, you must submit the bottom portion of this notice to either the current owner of your loan or the person to whom you send payments.

If two or more people have the right to cancel this loan, cancellation by one person is effective for all of them.

Initial here ____________ to acknowledge receipt of this notice on ____________.

(Initials) (Date)

Out here ➔ __________________________________________________________

I AM CANCELLING THIS LOAN.

John Consumer
Name
1234 Central Drive, Greenville, NY, 12345
Property Address
12345678
Loan Number

H-9 Rescission Model Form
[(Refinancing With Original Creditor)] ▶ (New Advance of Money with the Same Creditor)
Reverse Mortgage Disclosures

- New and revised reverse mortgage disclosures.
- “Key Questions to Ask about Reverse Mortgage Loans” (prior to application).
- Loan cost information specific to reverse mortgages and a table expressing total costs as dollar amounts in place of the table of reverse mortgage “total annual loan cost rates (TALC) (within 3 business days of application and again prior to consummation).
# REVERSE MORTGAGE LOAN SUMMARY

**LENDER:** ABC Bank  
**DATE:** April 30, 2010  
**LOAN OFFICER:** 12345 1234  
**LOAN NUMBER:** 123-12-1234-567

## Borrower & Property Information
- **Borrowers’ Names & Ages:** John Doe (84); Jane Doe (82)  
- **Property Address:** 123 Ward Street, Jingle Bells, TX 12345  
- **Appraised Value:** $275,000

## About this Loan
- You are applying for a reverse mortgage loan on your home that you do not have to repay for as long as you live there.  
- You may get money from this loan paid to you all at once, as a regular monthly advance, or at times and in amounts that you choose.  
- You will continue to own your home so you must pay your property taxes and insurance, and keep the home in good repair (see the Risks section).  
- If the loan balance eventually becomes greater than the value of the home, you will continue to receive monthly payments and have access to your loan funds as long as you remain in the home.  
- The amount of the loan, plus interest and fees, must be paid back in full if the home is sold or when the last surviving borrower dies or does not live in the house for 12 consecutive months.

## Payment of Loan Funds
- **You have chosen to receive your funds as follows:**
  - **Initial Advance:** $12,000 will be paid to you after you accept the loan
  - **Monthly Advance:** $1,287 will be paid to you each month while you remain in your home  
  - **Line of Credit:** $15,000 will be available to you at any time while you remain in your home

You may choose to change the type of payments you receive.

## Annual Percentage Rate
- **Annual Percentage Rate (APR):** 2.93%. This is a variable rate that will change annually based on the Treasury rate plus 2.5%. Each year, your rate can increase by up to 2.0%.  
- **Maximum APR:** 7.93%  
- **Historical Changes to Treasury Rate:** Over the past 15 years, the Treasury rate plus 2.5% has varied between 2.77% and 8.90%.

**Interest charges will be added to your loan balance each month and collected when the loan is due.**

---

**K–5 Open-End Reverse Mortgage**  
**Account-Opening Disclosure Sample**
### Fees

**Account Opening Fees**

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Origination</td>
<td>$4,735</td>
</tr>
<tr>
<td>Inspection</td>
<td>$500</td>
</tr>
<tr>
<td>Title Search &amp; Title Insurance</td>
<td>$595</td>
</tr>
<tr>
<td>Appraisal</td>
<td>$295</td>
</tr>
<tr>
<td>Reverse Mortgage Insurance Premium</td>
<td>$5,500</td>
</tr>
</tbody>
</table>

**TOTAL Account Opening Fees** $11,625

**Monthly Fees** *(added to your loan balance each month but not collected until the loan is due)*

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servicing Fee</td>
<td>$35 per month ($420 annually)</td>
</tr>
<tr>
<td>Reverse Mortgage Insurance Premium</td>
<td>0.042% monthly (0.5% annually)</td>
</tr>
<tr>
<td>Interest Charges</td>
<td>Starts at 2.93% annually but this rate can change.</td>
</tr>
</tbody>
</table>

**Other Fees**

Other fees may apply; see your account agreement for details. Ask us for additional information about these fees.

### How the Loan Balance Grows

The table shows an example of how your loan balance might grow if:

- You never borrow from the Line of Credit, only receiving the initial and monthly advances listed on page 1, and
- The APR stays at 2.93%.

<table>
<thead>
<tr>
<th></th>
<th>After 1 Year</th>
<th>After 5 Years</th>
<th>After 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much money will you have received?</td>
<td>$27,443.00</td>
<td>$80,208.00</td>
<td>$166,434.00</td>
</tr>
<tr>
<td>How much will be owed for interest + fees?</td>
<td>$13,166.00</td>
<td>$23,023.00</td>
<td>$56,300.00</td>
</tr>
<tr>
<td>How much will be owed altogether?</td>
<td>$40,609.00</td>
<td>$103,232.00</td>
<td>$222,733.00</td>
</tr>
</tbody>
</table>

### Repayment Options

At the end of the loan, you or your heirs may either:

- Pay the loan balance in full and keep the home, or
- Sell the home and use the proceeds to pay off the loan. If your home sells for less than you owe, you will not be required to pay the difference. If your home sells for more than you owe, the difference will be given to you or your heirs.
Risks

Your reverse mortgage loan will be secured by your home. If you default on your reverse mortgage loan by:

- Allowing the property to deteriorate beyond reasonable wear and tear; or
- Failing to pay property taxes or insurance; or
- Failing to live in the house for 12 consecutive months; or
- Failing to meet any other obligation

...then we may take any or all of the following actions:

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclose On Your Home</td>
<td>We could foreclose on your property and require that you leave the home.</td>
</tr>
<tr>
<td>Stop Giving You Money</td>
<td>We may stop making payments to you and not allow you to borrow any more money from your line of credit, even if you have borrowed less than your credit limit.</td>
</tr>
<tr>
<td>Terminate Your Loan</td>
<td>We may terminate your loan, make you pay the outstanding loan balance in one payment, and charge you fees on termination.</td>
</tr>
</tbody>
</table>

We may also make other changes to your loan.

Billing Rights: Information on your rights to dispute transactions and how to exercise those rights is provided in your account agreement.

➤ You have no obligation to accept these terms. Use this statement to confirm that these are the terms for which you applied.

➤ Ask questions if you do not understand any part of this form.

➤ For more information, go to www.frb.gov/reverse_mortgages/.

By signing below, I acknowledge receipt of this form.
How to Submit Public Comments

- **Web:** [www.regulations.gov](http://www.regulations.gov)
  - Search by keyword “R-1390” (omit quotes)
  - Under Results, find “Regulation Z; Truth in Lending”
  - Click “Submit a Comment” to the right

- **E-mail:** regs.comments@federalreserve.gov (type Docket No. R-1390 in subject line)

- **Fax:** (202) 452-3819 or (202) 452-3102
Housekeeping Matters

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