

The New CFPB Mortgage Disclosures: What You Need to Know

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Poll Question

Tell us about yourself:

- This is my first NSA Webinar
- I have attended 1 previous NSA webinar
- I have attended 2 previous NSA webinars
- I have attended more than 2 previous NSA webinars

Presentation Goals



Putting the pieces together: The CFPB's mortgage disclosure rule



Good or bad idea: The new Loan Estimate and Closing Disclosure

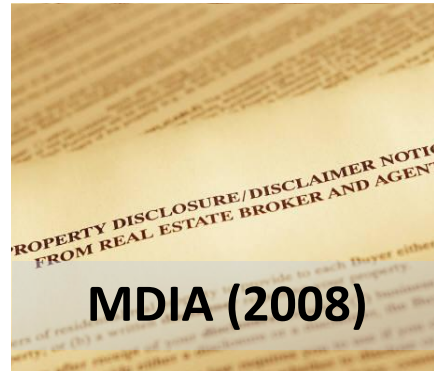


The road ahead: What to expect and how you can comment on the rule

Federal Laws and NSAs



Federal Laws and NSAs



Consumer Financial Protection Bureau

About the CFPB

Created by
DODD-FRANK

Commenced
operations July
1, 2011

Assumes
supervision/
rulemaking of
7 federal Acts

CFPB Rule Background

TILA (1968) and RESPA (1974)

- Good Faith Estimate and "early" TIL upon application
- HUD-1 and "final" TIL before or at closing

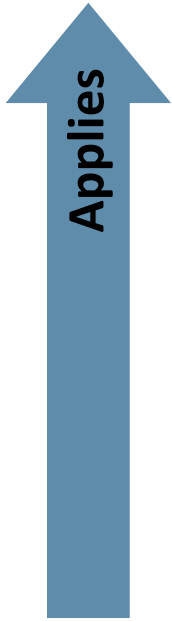
RESPA reform (2010)

- Good Faith Estimate and HUD-1/1A redesigned

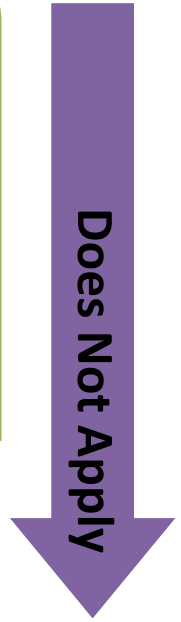
Dodd-Frank (2010)

- Requires the CFPB to combine and simplify the forms
- CFPB says consumers confused by disclosure forms

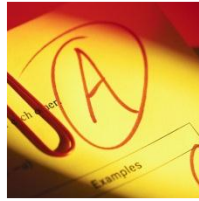
Scope of Proposed Rule



- Most closed-end mortgages
- HELOCs
- Reverse Mortgages
- Mobile home loans
- Temporary dwelling mortgages
- Lenders who make < 5 loans per year



Vetting the New Forms



Consumer
testing

Industry
outreach



Small business
panel review

What Happened to the TIL, GFE and HUD-1?



End of the Line

The TIL, GFE and HUD-1 will go away, but they will live on in the proposed CFPB disclosures

The Loan Estimate

Replaces	}	<ul style="list-style-type: none">• GFE and "early" TIL
Timing		<ul style="list-style-type: none">• Provided 3 days after application
Format	}	<ul style="list-style-type: none">• Page 1 = Basic loan terms• Page 2 = Closing costs• Page 3 = Additional loan terms
APR		<ul style="list-style-type: none">• Pushed down to page 3 of the form
Signature	}	<ul style="list-style-type: none">• Signed and dated by borrower on bottom of page 3

Loan Estimate

DATE ISSUED 7/23/2012
APPLICANTS John A. and Mary B.
 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 9/21/12 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 8/6/12 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 Total Monthly Payment</i>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

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

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

Visit www.consumerfinance.gov/learnmore for general information and tools.

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges		E. Taxes and Other Government Fees	
	\$1,802		\$85
.25 % of Loan Amount (Points)	\$405	Recording Fees and Other Taxes	\$85
Application Fee	\$300	Transfer Taxes	\$0
Underwriting Fee	\$1,097		
B. Services You Cannot Shop For		F. Prepaids	
	\$672		\$867
Appraisal Fee	\$405	Homeowner's Insurance Premium (<u>6</u> months)	\$605
Credit Report Fee	\$30	Mortgage Insurance Premium (<u>0</u> months)	\$0
Flood Determination Fee	\$20	Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Flood Monitoring Fee	\$32	Property Taxes (<u>0</u> months)	\$0
Tax Monitoring Fee	\$75		
Tax Status Research Fee	\$110		
C. Services You Can Shop For		G. Initial Escrow Payment at Closing	
	\$3,198		\$413
Pest Inspection Fee	\$135	Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Survey Fee	\$65	Mortgage Insurance per month for mo.	
Title – Insurance Binder	\$700	Property Taxes \$105.30 per month for 2 mo.	\$211
Title – Lender's Title Policy	\$535		
Title – Title Search	\$1,261		
Title – Settlement Agent Fee	\$502		
D. TOTAL LOAN COSTS (A + B + C)		H. Other	
	\$5,672		\$1,017
		Title – Owner's Title Policy (optional)	\$1,017
		I. TOTAL OTHER COSTS (E + F + G + H)	
			\$2,382
		J. TOTAL CLOSING COSTS	
			\$8,054
		D + I	\$8,054
		Lender Credits	\$0
Calculating Cash to Close			
		Total Closing Costs (J)	\$8,054
		Closing Costs Financed (Included in 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

Additional Information About This Loan

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

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS 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)	4.494% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.447% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

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

Confirm Receipt

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

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

Poll Question

What do you think about the CFPB demoting the APR in the Loan Estimate?

- I wish the CFPB would have taken the APR off the disclosure entirely
- This will help my loan signings go much more smoothly and quickly
- Demoting the APR won't help borrowers shop for loans
- What was the CFPB thinking?

The Closing Disclosure

Replaces	• Final TIL and HUD-1
Timing	• Provided 3 days before closing
Format	• Page 1 = Basic loan terms • Page 2-3 = Closing costs • Page 4-5 = Additional loan terms
APR	• Pushed down to page 5 of the form
Signature	• Signed and dated by borrower on bottom of page 5

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 9/10/2012
Closing Date 9/14/2012
Disbursement Date 9/14/2012
Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$180,000

Transaction Information

Borrower John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve C. and Amy D.
 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 Total Monthly Payment</i>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

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

Cash to Close	
Cash to Close	\$14,272.35 Includes \$9,729.54 in Closing Costs (\$4,694.05 in Loan Costs + \$5,035.49 in Other Costs – \$0 in Lender Credits). See details on 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 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 – Title Search to Epsilon Title Co.	\$800.00				
06 Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$4,694.05				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			
Other Costs					
E. Taxes and Other Government Fees	\$85.00				
01 Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02 State Transfer Tax			\$950.00		
F. Prepays	\$2,138.24				
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 9/14/12 to 10/1/12	\$296.48				
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 Costs	\$2,400.00				
01 Real Estate Commission to Alpha Real Estate Broker			\$700.00		
02 Real Estate Commission to Omega Real Estate Broker			\$700.00		
03 Title – Owner’s Title Insurance to Epsilon Title Co.	\$1,000.00				
04 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
05 HOA Dues Oct. 2012 to HOA Acre Inc.	\$150.00				
06 Home Inspection Fee to Engineers Inc.	\$750.00			\$750.00	
07 Home Warranty Fee to XYZ Warranty Inc.			\$450.00		
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$5,035.49				
Other Costs Subtotal (E + F + G + H)	\$5,035.49				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$9,729.54				
Closing Costs Subtotals (D + I)	\$9,699.74	\$29.80	\$2,800.00	\$750.00	\$405.00
Lender Credits					

Calculating Cash to Close

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

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$8,054.00	\$9,729.54	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 (Included in 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			NO
Seller Credits	\$0	– \$2,500.00	YES • See Seller Credits in Section L
Adjustments and Other Credits	\$0	– \$927.39	YES • See details in Sections K and L
Cash to Close	\$16,054.00	\$14,272.35	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing **\$189,784.74**

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)	\$9,699.74
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	9/14/12 to 9/30/12	\$85.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing **\$175,512.39**

01	Deposit	\$10,000.00
02	Borrower's 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	7/1/12 to 9/14/12	\$262.39
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$189,784.74
Total Paid Already by or on Behalf of Borrower at Closing (L)	\$175,512.39

Cash to Close **From** **To Borrower** **\$14,272.35**

SELLER'S TRANSACTION

M. Due to Seller at Closing **\$180,085.00**

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	9/14/12 to 9/30/12	\$85.00
13			
14			
15			
16			

N. Due from Seller at Closing **\$115,562.39**

01	Excess Deposit	\$10,000.00
02	Closing Costs Paid at Closing (J)	\$2,800.00
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	7/1/12 to 9/14/12	\$262.39
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$180,085.00
Total Due from Seller at Closing (N)	\$115,562.39

Cash **From** **To Seller** **\$64,522.61**

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.

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 Payment

Your lender will

- accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- not accept 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 Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly 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 require or 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.

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.	\$292,420.88
Finance Charge. The dollar amount the loan will cost you.	\$123,997.58
Amount Financed. The loan amount available after paying your upfront finance charge.	\$156,964.47
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.441%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.468%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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.

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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@ epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

Good or Bad?



Forms are mandatory
(standardized)

APR is marginalized

Layout and visuals of
loan terms and closing
costs are appealing

New forms to learn;
old forms to unlearn

Presenting loan terms
> closing costs > add.
loan terms is disjointing

Poll Question

What do you think of the proposed CFPB disclosure forms?

- I want the HUD-1, TIL and GFE back now!
- Borrowers will be confused by the new forms
- If borrowers are confused by the new forms, they shouldn't be borrowing
- I'll wait and see until the final forms are released

The Road Ahead

When is the final date to submit comments?

- November 6, 2012

When will the final rule be published?

- Final rule for the disclosure forms will **not** be published before January 21, 2013

When will the final rule take effect?

- We don't know; CFPB is asking for comments on this

Resources

- [Learn more about mortgage disclosures \(Link\)](#)
- [Comment on proposed rule \(Link\)](#)
 - Type "CFPB-2012-0028-0001" and click "Search"
 - Click "Comment Now"
- [View archived NSA webinars \(Link\)](#)
- [E-mail Bill Anderson \(Link\)](#)