WISCONSIN REALTORS® ASSOCIATION

LEGAL UPDATE

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A MONTHLY GUIDE TO WISCONSIN REAL ESTATE LAW & POLICY

New RESPA/TILA Disclosure Forms

Proposed effective date: October 3, 2015

IN THIS ISSUE

The new Consumer Financial Protection Bureau (CFPB) Loan Estimate and Closing Disclosure forms unbundle the services the consumer is receiving and separately itemize each charge so the consumer knows exactly what they are paying. The new forms will begin to be used in residential transactions where the buyer applies for a loan on or after October 3, 2015.

The Loan Estimate is designed to provide disclosures that will be helpful to buyers in understanding the key features, costs and risks of the mortgage loan for which they are applying. The Loan Estimate must be provided to buyers no later than three business days after they submit a loan application. The Loan Estimate provides more information to help buyers decide whether they can afford the loan and to compare the cost of different loan offers, including the cost of the loans over time. The Closing Disclosure also is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. The Closing Disclosure must be provided to buyers three business days before they close on the loan. The forms use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments and costs to close the loan. The result should be better informed buyers who are aware of the features and costs of the mortgage loan they have entered into when buying a home.

The Loan Estimate and Closing Disclosure must be used for most closed-end consumer mortgages. Home equity lines of credit, reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property must continue to use current disclosure forms required by TILA and RESPA. The new forms also do not apply to loans made by persons who are not considered "creditors" because they make five or fewer mortgage loans per year.

This *Legal Update* walks through the Loan Estimate and the Closing Disclosure forms, along with some references to accompanying forms and documents a buyer may receive during the process of applying for a purchase money loan in a residential transaction. This detailed discussion may be most beneficial if the sample Loan Estimate form and sample Closing Disclosure form appearing on pages 13 and 17 of this *Update* are reviewed while reading this information. A discussion of the closing documentation that sellers and brokers may receive and the confusing presentation of title policy information, including sample calculations, is also included.

MORE INFORMATION

For background information regarding the Truth in Lending Act/Real Estate Settlement Procedures Act Integrated Disclosure (TRID) rules and an overview of the changes made see the April 2015 *Legal Update*, "RESPA/TILA Integration Overview," at www.wra.org/LU15.04 and for a discussion of the impact of TRID on Wisconsin real estate transactions and proactive measures for avoiding closing delays resulting from TRID implementation, see the June *Legal Update*, "Transaction Time Frame Recalibration," at www.wra.org/LU1506. Also see the resources at www.wra.org/TRID.

What real estate agents need to know about TRID forms

1. Be familiar with the new Loan Estimate and Closing Disclosure and be able to provide a general explanation.
2. Timing of closings can be impacted by the Closing Disclosure delivery rules.
3. Title fees may need to be explained by the closing agent at closing.
4. A buyer may likely receive more than one Closing Disclosure but a seller and a broker might not receive any copies.

Loan Estimate

In the Loan Estimate, the information is unbundled and itemized. Much of the information content is the same as in the Good Faith Estimate, the prior version of the consumer loan disclosure, but it is presented in a user-friendly format.

The lender must provide a Loan Estimate to the buyer, for example by delivering it by hand or placing it in the mail, no later than three business days after the lender receives the buyer's loan application. An application is considered received when the buyer provides his or her name, income and Social Security Number to obtain a credit report, as well as the address of the property, an estimate of the value of the property, and the amount of the mortgage loan sought.

The buyer does not have to decide whether to proceed with the loan for 10 days, which provides an opportunity for the buyer to take the Loan Estimate out and shop for other loans. The buyer can then compare Loan Estimates from various lenders and see what terms and conditions are the most favorable.

The buyer may expect to receive additional revised Loan Estimates as various details are revised and later finalized for the loan the buyer chooses. Buyers can expect to receive a revised Loan Estimate within three business days of a change and must receive the final Loan Estimate at least seven business days prior to closing.

Lenders and other persons may provide buyers with written estimates prior to an actual loan application. Any such written estimates must contain a disclaimer to prevent confusion with the Loan Estimate form. The top of the page should state, "Your actual rate, payment and costs could be higher. Get a Loan Estimate before choosing a loan." These informal estimates given to buyers should also be formatted so they look different than the Loan Estimate form under TRID, again to avoid consumer confusion.

Loan estimate page 1

The first page of the Loan Estimate generally has the information most helpful to a consumer. Page 1 includes general identification information, a Loan Terms table, a Projected Payments table, a Costs at Closing table, rate lock status information, and a link for consumers to obtain more information about loans secured by real property on the CFPB website. See page 1 of the sample Loan Estimate on page 14 of this *Update*.

Top of page 1

The top of page 1 instructs the loan applicant to "Save this Loan Estimate to compare with your Closing Disclosure" and includes the name and address of the lender. The Date Issued is the date the Loan Estimate is mailed or delivered to the buyer. The loan term, the purpose of the loan, and the "product" are also listed at the top. The "product" means the type of the loan — for instance, whether the loan is to be fixed rate, adjustable rate, step rate, negative amortization, interest only, step payment, balloon payment or seasonal payment. The product description may combine more than one of these features.

The loan type will be designated as conventional, FHA, VA or other, using the check boxes at the top of the form. There are also rate lock check boxes, where the "yes" box is checked if the rate is locked. When the interest rate is locked at the time of the Loan Estimate's delivery, the date and time (including the applicable time zone) when the lock period ends is disclosed.

> ☑ **EXAMPLE**
>
> In the example on page 14 of this *Update*, the buyers are applying for a 30-year fixed-rate conventional loan with the interest rate locked in for two months.

Loan Terms

In this section the loan amount, initial interest rate, monthly principal and interest payment amount, any prepayment penalty, and any balloon payment are listed. Under the subheading "Can this amount increase after closing?" if the loan amount, interest rate, or monthly principal and interest amounts can increase after closing, the Loan Estimate will indicate "Yes" and indicate where applicable information regarding the adjustment may be found.

> ☑ **EXAMPLE**
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> In the sample on page 14, the loan amount, interest rate and monthly principal and interest payments will not change after closing.

Under the subheading "Does the loan have these features?" the Loan Estimate will indicate "Yes" when the loan has a prepayment penalty or a balloon payment. If there is a prepayment penalty, the Loan Estimate will indicate the maximum amount of the prepayment penalty and the date when the penalty can no longer be imposed. If there is a balloon payment, the maximum amount and the due date of the payment are to be stated.

> ☑ **EXAMPLE**
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> In the sample on page 14 of this *Update*, the Loan Estimate discloses a prepayment penalty "as high as $3,240 if you pay off the loan in the first two years."

Projected payments

The Projected Payments table shows estimates of the periodic payments that the buyer will make over the life of the loan. Lenders must disclose estimates for principal and interest, mortgage insurance, estimated escrow, estimated total monthly payment, as well as estimated taxes, insurance and assessments, even if they are not paid with escrow funds. The Projected Payments table also indicates whether taxes, insurance and other assessments will be paid with the funds in the buyer's escrow account. The principal and interest, mortgage insurance, and estimated escrow may be shown as a range of amounts, or the amounts may change after a certain number of years such that the numbers are different during various time frames and thus are shown in additional columns.

☑ **EXAMPLE**

IIn the sample on page 14 of this *Legal Update*, the estimated total monthly payments change from $1,050 per month (first column for Years 1-7) to $968 per month (second column for Years 8-30). This is because the mortgage insurance will no longer be charged, per applicable law, after seven years.

For Estimated Taxes, Insurance & Assessments, the lender should disclose the total monthly amount due for property taxes, homeowner's insurance, charges imposed by a cooperative, condominium or homeowners' association, any ground rent or leasehold payments, and other certain insurance premiums or charges required by the lender.

Homeowner's insurance is any insurance against loss or damage to the property, or against liability arising out of the ownership or use of the property. The insurance premiums included as estimated taxes, insurance and assessments may also be for:

- Credit life, accident, health or loss-of-income insurance.
- Debt cancellation or debt suspension coverage.

By the use of check boxes under the heading "This estimate includes" the lender discloses if there are charges for property taxes, homeowner's insurance, or other required charges and under the column "In escrow?" the lender indicates if the checked charges will be paid from an escrow account.

☑ **EXAMPLE**

In the sample on page 14 of this *Update*, the estimated escrow of $206 per month includes property taxes and homeowner's insurance. This amount was included in the estimated total monthly payment.

Closing costs table

The estimated closing costs item is the total of the loan costs and other costs itemized on page 2 of the Loan Estimate. The estimated Cash to Close is the amount the buyer would pay at closing, also itemized on page 2 of the Loan Estimate. This includes the estimated closing costs, the buyer's downpayment less any earnest money deposit, seller credits and any other adjustments and credits.

☑ **EXAMPLE**

In the sample on page 14 of this *Update*, the estimated closing costs of $8,054 come from page 2 of the Loan Estimate (item J.) and the estimated cash to close of $16,054 includes the estimated closing costs plus the $18,000 downpayment and less the $10,000 earnest money deposit, all as shown on page 2 of the Loan Estimate.

Loan estimate page 2

The second page of the Loan Estimate itemizes Loan Costs, Other Costs and Cash to Close, and may also include an adjustable payments table and an adjustable interest rate table if the loan has adjustable monthly payments or an adjustable interest rate. Generally, loan costs are those costs paid by the buyer to the lender and to third-party providers of services the lender requires to be obtained by the buyer for the loan origination. Other costs include taxes, recording fees and certain other payments involved in the real estate closing process. Items that are a component of title insurance or are for conducting the closing must include the introductory description of Title –. See page 2 of the Sample Loan Estimate on page 15 of this *Update*.

Loan costs

Loan costs are disclosed under three subheadings: Origination Charges, Services You Cannot Shop For, and Services You Can Shop For. The sum of these three is the total Loan Costs.

Origination charges: Origination charges are items the buyer will pay to the lender and loan originator for originating and extending credit. This includes any points paid by the buyer to the lender to reduce the interest rate shown both as both a percentage of the loan amount and a dollar amount. Any other items the buyer will pay to the lender and loan originator are also disclosed including, for example, the loan application fee and any underwriting fee.

Services you cannot shop for: These are items offered by providers other than the lender or mortgage broker that the buyer cannot shop for and will pay for at closing, disclosed in alphabetical order. These might include an appraisal fee, an appraisal management company (AMC) fee, a credit report fee, a flood determination fee, a government funding fee (such as a VA or USDA guarantee fee), a homeowner's association certification fee, the lender's attorney fee, a tax status search fee, or an upfront mortgage insurance fee.

Services you can shop for: These services are offered by providers other than the lender or mortgage broker and are services that the buyer can shop for and will pay for at closing. A lender permits a seller to shop for an item if the lender permits the buyer to select the provider, subject to reasonable requirements — such as appropriate licensing.

Anything related to title insurance policies or title insurance company services must be listed as "Title –." This may include enumerated items such as title examination, insurance binder, lender's title policy or a closing agent fee. Note that the lender must disclose the amount of the premium for the lender's title insurance coverage without any adjustment to the premium that might be made for the simultaneous purchase of an owner's title insurance policy. See the additional discussion of title insurance items on page 11 of this *Update*.

☑ **EXAMPLE**

In the sample on page 15 of this *Update*, the total loan costs are computed to be $5,672 as shown at the bottom of the first column. The buyer was allowed to shop for title services including the lender's title policy.

Other costs

Other Costs appear under four subheadings on the upper right quadrant of page 2 of the Loan Estimate: Taxes and Other Government Fees, Prepaids, Initial Escrow Payment at Closing and Other. The taxes and other government fees will include recording fees and transfer fees but only if paid by the buyer — transfer fees that will be paid by the seller are not disclosed in the Loan Estimate, as would normally be the case in Wisconsin.

Prepaids: Prepaids are items paid by the buyer in advance of the first scheduled loan payment. Prepaids may include homeowner's insurance premiums, mortgage insurance premiums, prepaid interest, property taxes and additional items. Each item must state the applicable time period covered by the prepaid amount and the total amount paid.

☑ **EXAMPLE**

In the sample on page 15 of this *Update*, at the top of the second column, the prepaids include six months of homeowner's insurance premiums and interest for 15 days.

Initial escrow payment at closing: This section estimates the initial amount that the buyer will be expected to place into an escrow account at closing to be applied to recurring periodic items such as homeowner's insurance, mortgage insurance and property taxes. The lender should indicate the monthly amount for each item, the number of months collected at closing and the total amount paid. This initial escrow payment will likely be larger than the monthly payments to the escrow account because it is a "starter" amount to build up an initial balance in the escrow account.

☑ **EXAMPLE**

In the sample on pages 14 and 15 of this *Update*, the monthly escrow amount is estimated to be $206 while the escrow payment at closing is $413.

Other: This catch-all category includes items in connection with the transaction that the buyer is likely to pay or has contracted with a person other than the lender or loan originator to pay at closing, and the lender is aware of this when issuing the Loan Estimate. These might include, for example, the owner's title insurance policy, credit life insurance, warranties of home appliances and systems, and similar products.

REALTOR® Practice Tip

In the sample on page 15 of this *Update*, under Other in the second column it indicates that the buyer is paying for an owner's title insurance policy that is labeled "optional" because it is not required by the lender. Obviously in Wisconsin, the state-approved offers to purchase provide that the seller pays for the owner's title insurance policy and that the buyer pays for the lender's title policy — which also may be a requirement of the lender. Wisconsin practitioners should be sure to explain to buyers that the owner's policy is not optional and reassure them that at closing the cost will end up being paid by the seller. See the further discussion of title insurance premiums on page 11 of this *Update*.

When the lender is aware at the time of the Loan Estimate, Other would also include real estate commissions, additional payments to the seller to purchase personal property pursuant to the contract of sale, homeowner's association and condominium charges associated with the transfer of ownership, and fees for inspections not required by the lender but paid by the buyer pursuant to the offer. In Wisconsin this would include payments such as commissions, inspection fees or condominium transfer fees.

Total Closing Costs is the sum of Total Loan Costs, Total Other Costs, and Lender Credits.

Calculating cash to close

Cash to close is the sum of the Total Closing Costs, Closing Costs Financed, and the Downpayment, less the earnest money and less any seller credits or other adjustments and credits. Seller Credits is the total amount that the seller will pay for items included in the Loan Costs and Other Costs tables, to the extent known, disclosed as a negative number. This would include seller payment of the owner's title insurance policy in Wisconsin.

Adjustments and other credits. This is the total amount of all items in the Loan Costs and Other Costs sections that are paid by persons other than the loan originator, lender, buyer or seller, together with any other amounts that are required to be paid by the buyer at closing pursuant to the offer to purchase, disclosed as a negative number. Examples of these items paid by others include gifts from family members, and credits from a developer or home builder to be applied to items in the Loan Costs and Other Costs table. Adjustments and Other Credits include funds provided to the buyer from subordinate financing, housing assistance grants or other similar sources. Examples of amounts to be paid by the buyer at closing pursuant to the offer to purchase include charges for personal property to be acquired by the consumer, prorations for property taxes, and prorations for homeowner's association dues. Adjustments and Other Credits is reduced by the amount of any such additional charges.

At the end of page 2, the form states the Estimated Cash to Close, which is the sum of all amounts disclosed in the Calculating Cash to Close section. In the sample on page 15, the buyer needs $16,054 to close.

Loan estimate page 3

Page 3 of the Loan Estimate includes lender, loan officer and mortgage broker contact information (including license numbers), a comparisons table, other considerations and, if desired, a place for the buyer to sign to acknowledge receipt of the Loan Estimate. See page 3 of the Sample Loan Estimate on pate 16 of this *Update*.

Comparisons

The Comparisons section provides the buyer the estimated total amounts the buyer will have paid in principal, interest, mortgage insurance, and loan costs through the first five years or 60 months of the loan term, and the amount of principal paid through the end of the first five years. This is stated in the line labeled "In 5 Years."

The Annual Percentage Rate (APR) line in the Comparisons table states the buyer's total costs over the term of the loan expressed as a percentage. It also reminds the buyer that this is not the interest rate. The Total Interest Percentage (TIP) is the total amount of interest that the buyer will pay over the loan term, expressed as a percentage of the loan amount. For example, 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 percent.

> ☑ **EXAMPLE**
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> In the sample on page 16 of this *Update*, the Comparisons table indicates that the buyer will have paid an estimated $56,582 in principal, interest, mortgage insurance and loans costs over the first five years and will have paid off $15,773 in principal during that period. The APR is 4.27 percent and the total percentage interest is 69.45 percent.

Other considerations

The Other Considerations section includes the following information:

- **Appraisal:** This section tells the buyer that the lender may order an appraisal that the buyer will be charged for and the buyer will receive a copy. The buyer is advised that he or she may also order an additional appraisal at the buyer's cost.
- **Assumption:** Using check boxes, the lender indicates whether the loan may be assumed by a subsequent purchaser on the original terms if the buyer sells the property.
- **Homeowner's insurance:** At the option of the lender, this section may say if homeowner's insurance is required and that the buyer may choose the insurance provider.
- **Late payment:** A statement detailing any amount that may be imposed for a late payment.
- **Refinance:** Indicating that the possibility of a future refinancing of the loan will depend on the circumstances including the buyer's financial status, the property value and market conditions.
- **Servicing:** A statement whether the lender intends to service the loan or transfer it to another servicer.

In transactions involving new construction and where the lender reasonably expects that closing will occur more than 60 days after the provision of the Loan Estimate, a clear and conspicuous statement indicating that the lender may issue a revised disclosure any time prior to 60 days before closing may also be included in this section. This additional statement is at the option of the lender.

Confirm receipt

The buyer is not required to sign the Loan Estimate. The lender may add a signature statement and have the buyer sign page 3 of the Loan Estimate in order to confirm the buyer's receipt of the Loan Estimate. If used, the signature statement must contain the exact language from the model form. If the Confirm Receipt section is not used, a statement about Loan Acceptance must be included at the end of the Other Consideration section that states, "You do not have to accept this loan because you have received this form or signed a loan application."

An alternate Loan Estimate form will be used when there is no seller, such as in a refinance situation.

Pre-approvals

There is nothing with regard to the Loan Estimate that will prevent a buyer from getting a loan pre-approval or a pre-qualification. Pre-qualification is a lender's estimate of how much the buyer could be eligible to borrow based on information he or she supplies. Pre-qualification does not mean the buyer will get the loan. Pre-qualifications are usually free. On the other hand, pre-approval usually means that the lender is ready to make a mortgage loan based on the information and documentation the buyer provided at the time he or she requested a pre-approval. The pre-approval may say how long it is valid for and may contain some other conditions for obtaining the loan. The CFPB advises that a lender may not require that the buyer pay any fees except the cost of a credit report.

Lenders and other persons may provide consumers with written estimates prior to an actual loan application. Any such written estimates must contain a disclaimer to prevent confusion with the Loan Estimate form. The top of the page should state, "Your actual rate, payment and costs could be higher. Get a Loan Estimate before choosing a loan." These informal estimates given to buyers should also be formatted so they look different than the Loan Estimate form under TRID, again to avoid consumer confusion. The only issue will be whether the buyer will be supplying the six pieces of information constituting a loan application such that the buyer would receive a Loan Estimate when asking for a pre-approval.

Lender's Written List of Service Providers

If the buyer is permitted to shop for a settlement service, on page 2 of the Loan Estimate, the lender must provide the buyer with a separate written list identifying available providers for that settlement service and stating that the buyer may choose a different provider other than one on the lender's list. The lender must identify at least one available provider for each settlement service for which the buyer is permitted to shop. The lender may indicate on the form that the lender does not endorse any of the settlement service providers listed.

See the links to the CFPB forms H-27(A) Mortgage Loan Transaction — Written List of Providers — Model Form, and H-27(B) Mortgage Loan Transaction — Sample Written List of Providers, in the "resources" section at the conclusion of this *Update*.

Your Home Loan Toolkit

In addition to the Loan Estimate, lenders must provide a booklet entitled "Your Home Loan Toolkit: A Step-By-Step Guide" to the buyer/loan applicant no later than three business days after receiving a loan application for loan applications submitted on or after October 3, 2015. Lenders must provide the toolkit to mortgage applicants as a part of the application process, and other industry participants, including real estate professionals, are encouraged to provide it to potential homebuyers.

MORE INFORMATION

For a copy of the Toolkit in various media, visit www.consumerfinance.gov/newsroom/cfpb-announces-new-know-before-you-owe-mortgage-shopping-toolkit.

REALTOR® Practice Tip

Brokers and agents would be wise to review this booklet for their own information as it gives a nice overview. They also may wish to review the Toolkit so they can be prepared to answer questions about the process and determine whether they also wish to make the Toolkit available to residential mortgage loan buyers.

Closing Disclosure

A Closing Disclosure must be provided to the buyer at least three (3) business days prior to closing if personally delivered and mailed at least a week before closing if that is the lender's delivery method. Prior to closing, an additional three-business-day waiting period applies (or an additional seven-day mailing period) when there are changes to the Closing Disclosure that result in an increase to the APR of 1/8 percent or more, a prepayment penalty is added to the loan product, or the buyer changes the loan product or type of loan.

For other changes prior to closing, the lender must provide the updated information in a revised Closing Disclosure. The lender must give the buyer one business day prior to closing to review the changed Closing Disclosure, although the lender may omit items related only to the seller's transaction. In addition, the lender must provide a corrected Closing Disclosure if an event related to the closing occurs during the 30-calendar-day period after closing that causes the Closing Disclosure to become inaccurate and results in a change to an amount paid by the buyer from what was previously disclosed. The lender is to deliver or place the revised Closing Disclosure in the mail no later than 30 calendar days after receiving information sufficient to establish changes to the amount paid by the buyer.

The CFPB emphasizes that consummation, the term used in the TRID rules, is not the same thing as closing or settlement. Consummation occurs when the buyer becomes contractually obligated to the lender on the loan; consummation does not occur, for example, when the buyer becomes contractually obligated to a seller on a real estate transaction. However, in Wisconsin, the buyer typically signs the loan documents and receives the deed to the property at closing so closing is the term used in the *Legal Update* discussions.

Closing disclosure page 1

The first page of the Closing Disclosure is similar to the first page of the Loan Estimate. See page 1 of the Sample Closing Disclosure on page 18 of this *Update*.

In the section at the top of the first page, the lender discloses the Date Issued — which is the date the Closing Disclosure is delivered to the buyer, the closing date, the disbursement date — which should be the same as the closing date in most Wisconsin transactions, the name of the settlement agent, the settlement agent's file number (#), the property address or location, and the sale price or the appraised value if the transaction is a refinance.

Under Transaction Information at the top of the first page of the Closing Disclosure, the lender will list the name and address of the buyer (called the borrower) and the seller, and the name of the lender.

Under Loan Information, the lender discloses the Loan Term, Purpose, Product, Loan Type, the loan identification number (Loan ID #), and mortgage insurance case number, if required by the lender (MIC #). This is very similar to the information that appears on the first page of the Loan Estimate.

Loan terms

The Loan Terms section on the Closing Disclosure discloses the same information shown on the first page of the Loan Estimate, updated as needed. This includes the loan amount, interest rate, monthly principal and interest, any prepayment penalty, and any balloon payment.

Projected payments

The Projected Payments table on the Closing Disclosure discloses the same information shown on the Projected Payments table on the Loan Estimate, again updated as necessary. This includes the monthly amounts of the principal and interest payments, mortgage insurance, estimated escrow and estimated taxes, insurance and assessments. These all appear on the first page of the Loan Estimate as well.

Costs at closings

Costs at closing are comprised of the total closing costs and total other costs, offset by any lender credits. These amounts are calculated on page 2 of the Closing Disclosure. The cash to close is computed on page 3 of the Closing Disclosure.

☑ **EXAMPLE**

Compare the sample of page 1 of the Closing Disclosure on page 18 of this *Update* and with page 1 of the Loan Estimate on page 14 of this *Update*. Note that the Estimated Taxes, Insurance & Assessments have gone up in the Closing Disclosure because homeowner's association dues are now included. The closing costs have increased but the cash to close has decreased. These numbers are computed on pages 2 and 3 of the Closing Disclosure.

Closing disclosure page 2

This page gives the details of the closing costs, and somewhat resembles page 2 of the HUD-1. It enumerates all Loan Costs and Other Costs paid by the buyer, the seller, and other parties in separate columns. For items paid by the buyer or seller, there are further column divisions for amounts paid at closing or before closing. See page 2 of the Closing Disclosure on page 19 of this *Update*.

Loan costs

The items to be disclosed in the Loan Costs table should generally be the same as they were on the Loan Estimate, updated to reflect the terms of the legal transaction and actual costs, and should be compared to the similar figures and categories on the Loan Estimate.

Items that the buyer could have shopped for, but did not, are disclosed in the Services Borrower Did Not Shop For subheading, regardless of where the item was disclosed on the Loan Estimate. When a buyer chooses a service provider that was on the Written List of Providers for a service, that service is listed as Services Borrower Did Not Shop For in the Closing Disclosure Loan Costs table. Items disclosed as Services Borrower Did Shop For and Services Borrower Did Not Shop For are re-alphabetized when an item is added to or removed from the Closing Disclosure, when compared to the Loan Estimate lists.

The amounts that are designated as Borrower-Paid At or Before Closing are subtotaled as Total Loan Costs (Borrower-Paid). The amounts shown as Seller-Paid At or Before Closing and Paid by Others are not subtotaled.

Other costs

The items to be disclosed in the Other Costs area should be disclosed as they were on the Loan Estimate, updated to reflect the terms of the loan and real estate transaction, and should be compared to the similar figures and categories on the Loan Estimate.

Under Prepaids are items to be paid by the buyer before the first mortgage payment. Prepaids include homeowner's insurance premiums, mortgage insurance premiums, prepaid interest, and property taxes that the lender is requiring the buyer to pay in advance. Each item must include the applicable time period covered as well as the amount the buyer pays at closing. The Initial Escrow Payment at Closing would be as on the Loan Estimate and include items such as homeowner's insurance, mortgage insurance or property taxes.

Under Other, the lender now discloses costs incurred by the buyer or the seller that were not disclosed on the Loan Estimate. These may include real estate commissions, homeowner or condominium association fees paid at closing, home warranties, inspection fees, and other fees paid at closing that are not required by the lender or otherwise required to be disclosed elsewhere on the Closing Disclosure.

The amount of an earnest money deposit does not affect the amount of real estate commissions shown as paid by the buyer or the seller on the Closing Disclosure, even if the earnest money deposit is held by the real estate brokerage.

REALTOR® Practice Tip

In the sample on page 19 of this *Update*, under Other in the first column it indicates that the buyer is paying for an owner's title insurance policy that is labeled optional because it is not required by the lender. The CFPB may allow lenders to remove the "optional" when printing or producing the Closing Disclosure. Obviously in Wisconsin the state-approved offers to purchase provide that the seller pays for the owner's title insurance policy and that the buyer pays' for the lender's title policy (which also may be a requirement of the lender). See the further discussion of title insurance costs on page 11 of this *Update*.

The total of all closing costs paid by the buyer, reduced by any Lender Credit, is disclosed as Total Closing Costs (Borrower-Paid). The total of items designated as Borrower-Paid At or Before Closing, Seller-Paid At or Before Closing, and Paid by Others are disclosed as Closing Cost Subtotals at the bottom of the page. Lastly, the total amount of Lender Credits, if any, are disclosed in the Borrower-Paid At Closing column.

All general lender credits, regardless of their reason or source, are included as Lender Credits. However, if the lender credit is attributable to a charge listed on Closing Disclosure page 2, then the amount should be listed with the item and designated as Paid By Others. A designation of (L) can be listed with the amount to indicate that the lender pays the item at consummation.

☑ **EXAMPLE**

Compare the sample of page 2 of the Closing Disclosure on page 19 of this *Update* and with page 2 of the Loan Estimate on page 15 of this *Update*. Note that Origination Charges are the same and the other services are less than on the Loan Estimate. For other costs, the prepaids charged to the buyer at closing are significantly higher than those on the Loan Estimate, and the Other category is much higher because it now includes commissions, inspection fees, homeowner's association fees and a home warranty.

Closing disclosure page 3

The third page of the Closing Disclosure is similar to page 2 of the Loan Estimate and includes the calculation of cash to close and a section referred to as the Summaries of Transactions. This page is also similar to page 1 of the HUD-1. See page 3 of the Sample Closing Disclosure on page 20 of this *Update*.

Calculating cash to close

The Calculating Cash to Close table compares the Loan Estimate to the Closing Disclosure and explains why they are different. This table includes Total Closing Costs, Closing Costs Paid Before Closing, Closing Costs Financed (Paid from your Loan Amount), Down Payment/ Funds from Borrower, Deposit, Funds for Borrower, Seller Credits, and Adjustments and Other Credits. The table has three columns to disclose the amount for each item as it was disclosed on the Loan Estimate, the

Final amount for the item, and an answer to the question “Did this change?” Generally, the amount disclosed in the Loan Estimate column is the same as the amount disclosed on the Loan Estimate or a revised Loan Estimate.

When the answer to the question “Did this change?” is “Yes,” the lender indicates where the buyer can find the amounts that have changed. For example, if the Seller Credit amount changed, the lender can indicate that the buyer should “See Seller Credits in Section L.” If the increase in Total Closing Costs exceeds the lender’s legal variance or tolerance limits, there should be a statement that an increase in closing costs exceeds the legal limits with the dollar amount of the excess disclosed in the “Did this change?” column. The excess generally is refunded to the buyer.

Summaries of transactions

The Summaries of Transactions table discloses the amounts associated with the real estate purchase transaction between the buyer and the seller, together with closing costs, and determines the amounts due from or payable to the buyer and the seller at closing, as applicable. Separate Closing Disclosures can be provided to the buyer and the seller that do not reflect the other party’s costs and credits by omitting certain disclosures on each separate Closing Disclosure.

Generally, the Summaries of Transactions table is similar to the Summary of Borrower’s Transaction and Summary of Seller’s Transaction tables on the HUD-1 Settlement Statement. There are some modifications to the Closing Disclosure related to the handling of the buyer’s deposit, the disclosure of credits and other differences.

Borrower's (buyer's) transaction

Due from borrower at closing: Charges owed by the buyer in the real estate transaction not otherwise disclosed on page 2 of the Closing Disclosure are listed in the Due from Borrower at Closing section. The amount Due from Borrower at Closing is the sum of the Sale Price of Property, the Sale Price of Any Personal Property Included in Sale, the Closing Costs Paid at Closing, other consumer charges and adjustments, and Adjustments for Items Paid by the Seller in Advance pursuant to the terms of the offer to purchase.

Adjustments due from the buyer to be paid to the seller are disclosed in two places. First, amounts owed by the buyer that are neither disclosed on Closing Disclosure page 2 nor specifically required to be disclosed as Due from Borrower at Closing are shown in the Adjustments section. Second, additional adjustments are disclosed along with the time-period associated with the adjustment, for example, flood or hazard insurance premiums when the buyer is being substituted as an insured under the same policy, condominium association assessments paid in advance, or fuel. These include proration-type items where the seller has paid in advance and the buyer is reimbursing based on the closing date proration.

Paid already by or on behalf of borrower at closing: The amount “Paid Already by or on Behalf of Borrower at Closing” is the sum of the Deposit (earnest money), the Loan Amount, any Existing Loan(s) Assumed or Taken Subject to, Seller Credits, Other Credits, and Adjustments for Items Unpaid by Seller pursuant to the terms of the offer. If the Deposit has been applied toward a closing cost paid by the buyer, the amount so applied should be deducted from the amount of the Deposit. No deduction in the amount of the Deposit is to be made for the payment of any real estate commission disclosed on page 2 of the Closing Disclosure.

Seller Credit includes any general credit to the buyer from the seller and includes a seller making an allowance to the buyer for items to purchase separately. However, if the seller’s agreement is attributable to a charge listed on Closing Disclosure page 2, then the amount should be listed with the item and designated as Seller-Paid at Closing or Seller-Paid Before Closing on Closing Disclosure page 2. Seller Credit includes any seller credits for issues identified at a walk-through of the property.

Other credits: Other Credits include a general credit from any party other than the seller or lender. One example is a credit or incentive a buyer receives from a real estate agent. A description of the credit and the name of the party giving the credit must be included. However, if the credit or rebate is attributable to a charge listed on page 2 of the Closing Disclosure, then the amount should be listed with the item and designated as Paid by Others on Closing Disclosure page 2. Other Credits also include a credit for any money or other payments made by the buyer’s family members, along with a description of the nature of the funds.

Adjustments for items unpaid by seller: These are amounts due to the buyer to be paid by the seller and are disclosed in two places. In the first grouping, items are disclosed along with the time-period associated with the item. Examples include taxes paid in arrears for an entire year, flood or hazard insurance premiums when the buyer is being substituted as an insured under the same policy, or condominium assessments not yet paid by the seller. The second group includes additional amounts owed by the seller that are not disclosed on page 2 or specifically included as Due from Seller at Closing. Examples of these amounts include utilities used but not paid for by the seller or rent collected in advance by the seller for a period extending beyond the closing date.

Calculation of cash to close: Under the Calculation subheading, the

Total Due from the Borrower at Closing is shown as a positive number, the Total Paid Already by or on Behalf of the Borrower at Closing is shown as a negative number, and the result is shown on the bottom line as cash to close either from or to the borrower (buyer). It will be Cash to Close From Borrower when the result is a positive number, and Cash to Close To Borrower when the result is a negative number.

Seller's transaction

The title company or settlement agent may be responsible to provide all of the information and amounts necessary for the lender to complete this section, or may complete the Seller's Transaction section.

Due to seller at closing: This will include the sum of the sales price of the real estate, the sales price of any included personal property, adjustments and Adjustments for Items Paid by Seller in Advance due to the seller pursuant to the terms of the offer to purchase.

Adjustments due from the buyer to be paid to the seller are disclosed in two categories. First are amounts owed by the buyer that are neither disclosed on page 2 of the Closing Disclosure nor specifically required to be disclosed as Due from Borrower at Closing. One example would be rent that the buyer will collect after closing for a period of time prior to the closing. Second, Adjustments for Items Paid by Seller in Advance are disclosed along with the time period associated with the adjustment. Examples include taxes paid in advance for an entire year when the closing occurs prior the expiration of the year, flood or hazard insurance premiums when the buyer is being substituted as an insured under the same policy, condominium association assessments paid in advance, or fuel or other supplies on hand purchased by the seller which the buyer will use when the buyer takes possession of the property.

Due from seller at closing: This will be the sum of any Excess Deposit, Closing Costs Paid at Closing by the Seller, Existing Loan(s) Assumed or Taken Subject to by the buyer, Payoff of First Mortgage Loan, Payoff of Second Mortgage Loan, Payment of other seller obligations, Seller Credit, Adjustments, and Adjustments for Items Unpaid by Seller due to the buyer pursuant to the terms of the offer to purchase.

Seller Credit is an amount the seller is giving as a general credit not tied to a specific charge on page 2 or as an allowance to the buyer for items to purchase separately. The amount of Seller Credit would include any credits to the buyer as the result of a walk-through of the property prior to the closing. However, if the amount of a credit is attributable to a charge listed on page 2, the amount should be listed with the applicable item on page 2 and designated as Seller-Paid At Closing or Seller Paid Before Closing, as appropriate.

In addition to the pay-off of any first or second mortgage loans the seller may have on the property, other seller obligations that must be paid as a condition to closing would be listed in this area of the Closing Disclosure. Examples include satisfaction of outstanding liens imposed due to federal, state or local income taxes, real estate property tax liens, judgment liens against the seller, other obligations or debts the seller wishes the title insurance company or other settlement agent to pay from the seller's proceeds at closing, and funds to be held by the title insurance company or other settlement agent for repairs or the payment of water, fuel, or other utility bills that cannot be prorated between the parties at closing because the amounts are not yet known. Subsequent disclosure of a revised Closing Disclosure after the repairs are made or the utility bill is received is optional.

Adjustments for items unpaid by seller: These items are due to the buyer pursuant to the offer and may include amounts owed by the seller that have a time period associated with the adjustments. Examples include the seller's portion of taxes paid in arrears for an entire year when the closing occurs prior to the end of the year, flood or hazard insurance premiums when the buyer is being substituted as an assured under the same policy, and condominium assessments not yet paid. Amounts owed by the seller that are neither disclosed on page 2 nor specifically disclosed as Due from Seller at Closing are indicated in this area of page 3 of the Closing Disclosure. Examples include utilities used but not paid for by the seller, and rent collected in advance by the seller from a tenant for a period of extending beyond the closing date.

Cash to close due to or from seller: Under the Calculation subheading of Calculation the Total Due from Seller at Closing is subtracted from the Total Due to the Seller at Closing. Frequently the result is a positive number and is shown as Cash to Seller. When the result is a negative number, it is Cash from Seller.

"The Loan Disclosures section is like a Reader's Digest version of information about the buyer's loan that normally is found only in the loan note."

Closing disclosure page 4

The fourth page of the Closing Disclosure includes loan disclosures and any adjustable payment table and/or adjustable interest rate table, but only if applicable to the transaction. See page 4 of the Sample Closing Disclosure on page 21 of this *Update*.

Loan disclosures

The Loan Disclosures section is like a Reader's Digest version of information about the buyer's loan that normally is found only in the loan note. This section indicates whether the lender would allow a future purchaser of the property to assume the loan, whether the loan contains a demand feature that would allow the lender to require early payment of the loan, information regarding late fees for late payments, whether the loan terms include any negative amortization whereby the payments would not pay the interest due and thus cause the principal balance of the loan to increase, the lender's policy regarding whether they accept partial payments, a statement that the buyer is granting a security interest in the property (along with an identification of the property), and information related to any escrow account or a statement that an escrow account has not been established with a description of estimated property costs during the first year after closing.

Escrow account: If there is an escrow account, the Closing Disclosure indicates the total estimated costs that will be escrowed over the first year with a list of what those costs are for, and the estimated totals of costs that are not escrowed, again with a list of what those costs are for. The buyer will be personally responsible to pay the costs in the latter grouping. An estimate is given for the initial escrow payment amount paid at closing (from item G. on page 2 of the Closing Disclosure) and

the monthly escrow payment amount that will be due monthly thereafter.

If there is not an escrow because the buyer declined it or the lender does not offer it, there will be an indication of the total estimated costs that the buyer must pay over the first year. Any escrow waiver fee will also be stated.

The types of property costs that are addressed in this section may include property taxes, homeowner's insurance, condominium or homeowners' association dues or fees, and certain other insurance premiums if required by the lender.

Closing disclosure page 5

The fifth page of the Closing Disclosure includes loan calculations, other disclosures, contact information for the lender, brokers and settlement agent, and optional signature lines for the buyer. See page 5 of the Sample Closing Disclosure on page 22 of this *Update*.

Loan calculations

This section reveals the total of all loan payments the buyer will make across the life of the loan. It also expresses the finance charge, which is the dollar amount that the loan is costing to the buyer. The amount financed is the loan amount available after the buyer pays the upfront finance charge, and the annual percentage rate (APR) is the buyer's costs over the term of the loan expressed as a rate. This is followed by the total interest percentage, which is the total amount of interest the buyer will pay over the term of the loan, expressed as a percentage of the loan amount.

Other disclosures

This section includes a statement regarding the buyer's rights in relation to any appraisal conducted for the property. This section also informs the buyer what happens if payments are not made, what constitutes default, when a lender can accelerate payments, and any prepayment rebates and penalties under the Contract Details subheading. Under Liability after Foreclosure, the buyer is advised whether the buyer may be liable for any deficiency in the event of foreclosure. The section concludes with a statement concerning the buyer's ability to refinance the loan, and a statement regarding whether interest paid on the loan can be deducted by the buyer on his or her income tax returns.

Contact information

In the Contact Information table, contact information for the lender, mortgage broker, the real estate brokers in the transaction and the title insurance company/settlement agent must be provided, including individual and entity license numbers. Specifically the table must include the name, address, company license number, contact name of an individual and the individual's license number, and an email address and telephone number.

Unused columns may be removed and columns may be added for additional parties. For example, if two real estate brokers are 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.

REALTOR® Practice Tip

Lenders and others preparing the Closing Disclosure will be anxious to receive this information as early on as possible so that the Closing Disclosure may be timely provided. To that end, there is a table in the WRA optional Addendum TR to the Offer to Purchase – Timelines and Closing to collect this information so that it may be provided early on. This will ensure that there is no delay in completion and delivery of a Closing Disclosure that is attributable to a real estate broker or agent failing to provide contact information or license numbers.

Confirm receipt

The buyer's signature on the Closing Disclosure is optional. A buyer signature says that the buyer is merely confirming receipt and is not signifying agreement to the contents.

REALTOR® Practice Tip

Be aware that some lenders are taking the position that privacy laws restrict their ability to share the Closing Disclosure with real estate professionals or sellers and will only share the Closing Disclosure after consent is obtained from the buyer.

Closing Disclosure "Page 6"

Although there is no official page 6 to the CFPB Closing Disclosure, a sixth page may be compiled and presented to the seller because the Closing Disclosure itself is focused on the buyer and the loan – not the real estate transaction or the seller. The buyer will receive a full copy of the Closing Disclosure at closing, but not the seller. Title company settlement agents may prepare a redacted version of the Closing

Disclosure or portions thereof to provide to the seller and brokers without revealing any private or confidential buyer information. They may, alternatively, prepare a disbursement ledger or other seller closing statement for the seller so that the seller has the breakdown of those costs and calculations they need for their income tax returns and other records. A form for this purpose may be provided by the American Land Title Association (ALTA) and will include signatures. This form may be what is provided to brokers as well.

Title Insurance Charges

Both the new Loan Estimate and Closing Disclosure require any listing of a settlement service involving title insurance or closing activities to be preceded by the phrase "Title – ." In doing so, a buyer can clearly see all such charges in a given area. However, that is where the clarity ends. In Wisconsin, there are issues and concerns regarding the disclosure of the owner's and the lender's title insurance premiums.

> **REALTOR® Practice Tip**
>
> The Loan Estimate and Closing Disclosure indicate that the buyer is paying for an owner's title insurance policy that is labeled "optional" because it is not required by the lender. The CFPB, however, may allow the removal of the "optional" from these disclosures. Obviously in Wisconsin, the state-approved offers to purchase provide that the seller pays for the owner's title insurance policy and that the buyer pays for the lender's title policy.

Simultaneous issue of title insurance policies issue

In many jurisdictions, including Wisconsin, title insurers offer a discount, often called a simultaneous-issue discount, on the lender's title insurance policy premium when purchased at the same time as an owner's title insurance policy. When both policies are purchased from the same title company, a simultaneous issue discount is provided, reducing the cost of the lender's policy. However, in some parts of the country, the standard purchase of an owner's policy of title insurance is not as well established. As a result, the CFPB determined consumers were better served by showing the full, not discounted, loan policy premium in all situations on both the Loan Estimate and the Closing Disclosure instead of, where applicable, the discounted premium.

If an owner's policy is also purchased in the transaction, a formula is used to discount the owner's policy. In those where custom and practice provide that the buyer pays for both the owner's and lender's policies, the total actual amount paid for both policies is expressed differently on the new forms.

More problematic are those areas where custom provides that the seller pays for the owner's policy and the buyer purchases the lender's policy, as is the case in Wisconsin. In these states, the policy premium for the lender's policy will be overstated and the owner's policy premium understated. As a result, there may need to be an adjustment made on the Closing Disclosure form to correct premium amounts. Wisconsin title companies are also working with the CFPB to develop a less-confusing disclosure of title costs.

Because the TRID rules require special mathematical calculations for the disclosure of the owner's and lender's title insurance premiums, lenders will need rates for both a stand-alone and simultaneously issued lender's policy, as well as the owner's policy rate. The full premium for the lender's title policy must be reflected on the Loan Estimate and the Closing Disclosure despite the fact that there is a simultaneous issue discount in Wisconsin and the actual rate is substantially less. The rate shown for the owner's policy must be calculated per the TRID rules and will also not be the actual charge.

Example 1

The owner's policy premium is $815, and a separately issued lender's title policy would cost $755. However with a simultaneous issue discount, the lender's policy is $290.

Under the TRID rules, the owner's policy premium is shown as $350, calculated by taking the actual owner's policy premium of $815 and adding the $290 lender's policy simultaneous issue premium and then subtracting $755, which is the full cost of a separate lender's policy.

Under the TRID rules, the lender's policy premium is shown as $755, the full cost of a separate lender's policy.

If you add the TRID numbers of $350 and $755 together, they equal $1,105, which is the result if you add the actual premiums of $815 and $290 together. The dollars equal out but there is confusion in getting there.

Example 2

The owner's policy premium is $744 and a separately issued lender's title policy would cost $475. However with a simultaneous issue discount, the lender's policy is $250.

Under the TRID rules, the owner's policy premium is shown as $519, calculated by taking the actual owner's policy premium of $744 and adding the $250 lender's policy simultaneous issue premium and then subtracting $475, which is the full cost of a separate lender's policy.

Under the TRID rules, the lender's policy premium is shown as $475, the full cost of a separate lender's policy.

If you add the TRID numbers of $519 and $475 together, they equal $994, which is the result if you add the actual premiums of $744 and $250 together. The dollars equal out, but again it is confusing.

> **REALTOR® Practice Tip**
>
> Consumers will not know actual costs of their title insurance premiums by looking at the TRID forms unless an adjustment to the disclosure forms can be developed.

Resources

H-24(B) Mortgage Loan Transaction Loan Estimate — Fixed Rate Loan Sample (see pages 12-15 of this *Update*): This is a sample of a completed Loan Estimate for a fixed rate loan. This loan is for the purchase of property at a sale price of $180,000 and has a loan amount of $162,000, a 30-year loan term, a fixed interest rate of 3.875 percent, and a prepayment penalty equal to 2.00 percent of the outstanding principal balance of the loan for the first two years after consummation of the transaction. The consumer has elected to lock the interest rate. The creditor requires an escrow account and that the consumer pays for private mortgage insurance.

files.consumerfinance.gov/f/201403_cfpb_loan-estimate_fixed-rate-loan-sample-H24B.pdf.

H-25(B) Mortgage Loan Transaction Closing Disclosure — Fixed Rate Loan Sample (see pages 16-21 of this *Update*): This is a sample of a completed Closing Disclosure for the fixed rate loan illustrated by form H-24(B). The purpose, product, sale price, loan amount, loan term, and interest rate have not changed from the estimates provided on the Loan Estimate. The creditor requires an escrow account and that the consumer pays for private mortgage insurance for the transaction.

files.consumerfinance.gov/f/201403_cfpb_closing-disclosure_cover-H25B.pdf.

H-27(A) Mortgage Loan Transaction — Written List of Providers — Model Form: This is a blank model form for the written list of settlement service providers required by 12 CFR § 1026.19(e)(1)(vi) and the statement required by 12 CFR § 1026.19(e)(1)(vi)(C) that the consumer may select a settlement service provider that is not on the list.

files.consumerfinance.gov/f/201403_cfpb_mortgage-loans-transactions_cover_H27A.pdf.

H-27(B) Mortgage Loan Transaction — Sample Written List of Providers: This is a sample of the Written List of Providers for the transaction in the sample Loan Estimate illustrated by form H-24(B).

files.consumerfinance.gov/f/201403_cfpb_mortgage-loans-transactions_cover_H27B.pdf.

"Your Home Loan Toolkit: A Step-By-Step Guide": available in various media at www.consumerfinance.gov/newsroom/cfpb-announces-new-know-before-you-owe-mortgage-shopping-toolkit.

More information

- For other illustrations and samples, visit www.consumerfinance.gov/regulatory-implementation/tila-respa/#disclosures.
- For further discussion and details, see the TILA-RESPA INTEGRATED DISCLOSURE Guide to the Loan Estimate and Closing Disclosure forms at files.consumerfinance.gov/f/201503_cfpb_tila-respa-integrated-disclosure-guide-to-the-loan-estimate-and-closing.pdf.

Thank you to the following industry professionals who contributed information and insight into the information presented in this *Update*:

- Linda T. Grahovec, ITP, IEP, NTP, Fidelity National Title Group.
- Ron Cockle, SVP director of Mortgage Banking Services, Johnson Bank.
- Barbara J. Schlieve, President, Assurance Title Services, Inc.
- Jonathan M. Sayas, Wisconsin Underwriting Counsel, Stewart Title Guaranty Company.

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FEBRUARY 7, 2014

TILA RESPA Integrated Disclosure

H-24(B) Mortgage Loan Transaction Loan Estimate – Fixed Rate Loan Sample

This is a sample of a completed Loan Estimate for a fixed rate loan. This loan is for the purchase of property at a sale price of $180,000 and has a loan amount of $162,000, a 30-year loan term, a fixed interest rate of 3.875 percent, and a prepayment penalty equal to 2.00 percent of the outstanding principal balance of the loan for the first two years after consummation of the transaction. The consumer has elected to lock the interest rate. The creditor requires an escrow account and that the consumer pay for private mortgage insurance.

Consumer Financial Protection Bureau

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

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 *See Projected Payments below for your Estimated Total Monthly Payment*	$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**

Projected Payments

Payment Calculation	**Years 1-7**	**Years 8-30**
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?** **YES** **YES**

Costs at Closing

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

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

Closing Cost Details

Loan Costs

A. Origination Charges	$1,802
.25 % of Loan Amount (Points)	$405
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

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

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.	
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

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

LOAN ESTIMATE PAGE 2 OF 3 • LOAN ID # 123456789

Additional Information About This Loan

LENDER	Ficus Bank
NMLS/__ LICENSE ID	
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 $15,773	Total you will have paid in principal, interest, mortgage insurance, and loan costs. 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.

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.

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

FEBRUARY 7, 2014

TILA RESPA Integrated Disclosure

H-25(B) Mortgage Loan Transaction Closing Disclosure – Fixed Rate Loan Sample

This is a sample of a completed Closing Disclosure for the fixed rate loan illustrated by form H-24(B). The purpose, product, sale price, loan amount, loan term, and interest rate have not changed from the estimates provided on the Loan Estimate. The creditor requires an escrow account and that the consumer pay for private mortgage insurance for the transaction.

cfpb Consumer Financial Protection Bureau

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

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$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**

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow *Amount can increase over time*	+ 206.13	+ 206.13
Estimated Total Monthly Payment	$1,050.26	$967.91

		This estimate includes	In escrow?
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	$356.13 a month	☒ Property Taxes	**YES**
		☒ Homeowner's Insurance	**YES**
		☒ Other: Homeowner's Association Dues	**NO**
		See Escrow Account on page 4 for details. You must pay for other property costs separately.	

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. *See page 2 for details.*
Cash to Close	$14,147.26	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

Loan Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
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			

Other Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
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. Prepaids	**$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					

CLOSING DISCLOSURE PAGE 2 OF 5 • LOAN ID # 123456789

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		

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					
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 ☒ From ☐ To Borrower	**$14,147.26**

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					
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 ☐ From ☒ To Seller	**$64,414.96**

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: *Homeowner's Insurance* *Property Taxes*
Non-Escrowed Property Costs over Year 1	$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: *Homeowner's Association Dues* 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.

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.

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

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