

Upcoming CFPB Rule Changes



TRIMMIER KUDULIS REISINGER, LLC

Definitions

- ECOA Appraisal Rule- Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act (Regulation B) amending section 701(e) and 1002.14 of Regulation B. (125 Pages)
- RESPA Servicing Rules – Mortgage Servicing Rules under the Real Estate Settlement Procedures Act (Regulation X) required by Dodd-Frank Wall Street Reform Public Law 111-203, 124 Stat. 1376 (2010) and Consumer Protection Act, amending the Real Estate Settlement Procedures Act of 1974 (753 Pages) 1024.41
- TIL Servicing Rules - Mortgage Servicing Rules under the Truth in Lending Act (Regulation Z) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (426 Pages)
- Mortgage Loan Originator Rules - Loan Originator Compensation Requirements under the Truth in Lending Act, implementing amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (541 Pages)
- Higher-Priced Mortgage Rules - Escrow Requirements under the Truth in Lending Act (Regulation Z) implement certain amendments to the Truth in Lending Act made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (116 Pages)
- High-Cost Mortgage Rules - High-Cost Mortgage and Homeownership Counseling Amendments to the Truth in Lending Act (Regulation Z) and Homeownership Counseling Amendments to the Real Estate Settlement Procedures Act (Regulation X), expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act of 1994 (HOEPA) (431 Pages)
- Appraisals for Higher-Priced Mortgage Loans – Joint Final Rule by NCUA, Federal Board of Governors, FDIC, OOC changing Truth in Lending Act implement a new provision requiring appraisals for “higher-risk mortgages” that was added to TILA by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or Act) (311 Pages)
- Qualified Mortgage Rule - The final rule implements sections 1411 and 1412 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which generally require creditors to make a reasonable, good faith determination of a consumer’s ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan) and establishes certain protections from liability under this requirement for “qualified mortgages” which amends Truth in Lending.

New Rules

- Effective June 2013
 - Higher Priced Mortgages – Escrow
 - Mortgage Loan Originator
- Effective January 2014
 - Mortgage Loan Originator
 - Higher-Priced Mortgage
 - Higher-Priced - Appraisals
 - Qualified Mortgages
 - ECOA – Appraisals
 - Servicing Rules
 - High Cost Mortgages

June 2013

What to do first!

Higher-Priced Mortgages

- Higher-Priced Mortgages- Escrow Requirements under the Truth in Lending Act (Regulation Z) implement certain amendments to the Truth in Lending Act made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (116 Pages)

What is a higher-priced mortgage?

- A loan is a “higher-priced mortgage” if
 - the APR is 1.5% above the Average Prime Offer Rate (“APOR”) secured by a first lien
 - the APR is 3.5% above the APOR for a loan in second lien position.
 - the APR is 2.5% above the Average Prime Offer Rate (“APOR”) secured by a first lien jumbo loan

Higher-Priced Mortgages

Exemptions

1. 50% of CU first lien mortgages must be within rural or underserved areas; (*the CFPB released the preliminary list of rural or underserved counties last week*)
 2. Assets are less than 2 billion;
 3. Funded 500 or fewer first lien mortgages in 2012; and
 4. CU does not currently escrow its loans or has only escrowed loans that qualified as higher-priced loans since April 2010.
- Rural or Underserved unlikely to be applicable to you

Preliminary List

- Bradford County
- Calhoun County
- Dixie County
- Franklin County
- Glades County
- Gulf County
- Hamilton County
- Holmes County
- Jackson County
- Lafayette County
- Levy County
- Liberty County
- Madison County
- Suwannee County
- Taylor County
- Union County
- Walton County
- Washington County

Escrow

- Escrow requirements do not apply to construction loans, bridge loans, reverse mortgages, or open-end consumer credit transactions (HELOCs)
 - if construction loan is temp-to-perm the rules apply
- Must provide escrow for loans defined as higher-priced for at least 5 years

Mortgage Loan Originator

Mortgage Loan Originator Rules - Loan Originator Compensation Requirements under the Truth in Lending Act, implementing amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (541 Pages)

Mortgage Loan Originator Rule

Two changes effective June 1, 2013

1. Can not require arbitration or prevent class action
2. No financing of credit insurance unless premiums are paid and calculated on a monthly basis
 - The CFPB has identified this rule does not present significant implementation burdens for industry

Arbitration/Class Action

- AT&T Mobility, LLC v. Concepcion, on April 27, 2011, the Supreme of the United States ruled that individuals may agree not to participate in class actions and instead require arbitration
- Fannie Mae or Freddie Mac never amended their documents to include new language
- Mortgage and HELOC loans secured by a member's principal dwelling

What to add to all other agreements?

- Employment, Consumer Loans, Vendor, and Account Agreements
- Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by binding arbitration rules of the American Arbitration Association and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any and all arbitration under this contract will take place on an individual basis; class arbitrations and class actions are not permitted, and any arbitration shall be exclusively conducted in Pinellas County, Florida. YOU FURTHER AGREE THAT YOU ARE WAIVING YOUR RIGHT TO TRIAL BY JURY AND TO PARTICIPATE IN A CLASS ACTION.”

Financing Insurance

- Dodd-Frank prohibits a creditor from financing any premiums or fees for credit insurance in connection with a closed-end consumer credit transaction secured by a dwelling or an extension of open-end consumer credit secured by the consumer's principal dwelling
- Prohibition on financing single-premium credit insurance of credit insurance unless premiums are paid and calculated on a monthly basis
- Creditor cannot evade the prohibition by charging a fixed monthly payment that does not decrease as the principal is paid off or by adding the monthly charge to the loan balance.

January 2014

Plan Now

Mortgage Loan Originator Rule Continued

Mortgage Loan Originator Rules - Loan Originator Compensation Requirements under the Truth in Lending Act, implementing amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Wall Street Reform and Consumer Protection Act (541 Pages)

Mortgage Loan Originator

- Effective January 2014
 - New limitations on MLO compensation
 - NMLS number must be disclosed on additional loan documentation
 - Record retention
 - Disqualification
 - Renewed requirements for policy and procedure

Who is a Loan Originator?

- “loan originator” is a person who, in expectation of direct or indirect compensation or other monetary gain or for direct or indirect compensation or other monetary gain, performs any of the following activities:
 - takes an application, offers, arranges, assists a consumer in obtaining or applying to obtain, negotiates, or otherwise obtains or makes an extension of consumer credit for another person; or
 - through advertising or other means of communication represents to the public that such person can or will perform any of these activities.

Compensation

- Prohibited from compensation based upon:
 - Loan rate, title insurance received from affiliate, up charge or pre-payment
- Non-deferred compensation
- Proxy – can be compensated differently depending upon type of transaction
- No dual compensation

Compensation Rules

- Acceptable methods of compensation:
 - Overall Dollar Volume
 - Long Term Performance of Loans
 - Hourly Pay
 - New Member
 - Piece Rate
 - Percentage of Applications Submitted
 - Quality of Loan File

NMLS Identification

- Must provide name and NMLS ID of both the CU and the employee on:
 - Application
 - Note or loan contract
 - Security agreement
- ID on each document, not each page

Mortgage Loan Originator

- Record Retention minimum of 3 years
 - All compensation to MLO
 - Any compensation agreement
- Must run a criminal and credit check
- Demonstrate financial responsibility and character
- Disqualification for new Employees
 - Felony within 7 years (guilty or no contest)
 - Fraud, dishonesty, breach of trust, or money laundering
- Conduct Periodic Training

Appraisals for Higher-Priced Mortgages

Appraisals for Higher-Priced Mortgage Loans –Joint Final Rule by NCUA, Federal Board of Governors, FDIC, OOC changing Truth in Lending Act implement a new provision requiring appraisals for “higher-risk mortgages” that was added to TILA by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or Act) (311 Pages)

What Appraisal?

- New Notice at time of application new notice
- Performed by a certified or licensed appraiser
- Physical Visit of the Interior
- Appraisal Report contains all required elements
- Provide Appraisal within 3 days of completion by internal staff and more than 3 days before the loan is closed

What Loans?

“residential mortgage loan” is any consumer credit transaction that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or on residential real property that includes a dwelling, other than a consumer credit transaction under an open-end credit plan (HELOC).

- 1st lien APR is 1.5% or more than APOR;
- 1st lien Jumbo (417,000) APR is 2.5% or more than APOR;
- 2nd lien APR is 3.5% or more than APOR

Excluded Loans

Qualified mortgages; HELOCs; new manufactured home; mobile home, boat or trailer; initial construction of a dwelling; temporary or bridge loans (12 months or less) if the purpose is to acquire a member's principal dwelling; and reverse mortgages

Appraiser Requirements

- <https://www.asc.gov/National-Registry/NationalRegistry.aspx>

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Notice

- “We may order an appraisal to determine the property’s value and charge you for this appraisal. We will 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.”
- May provide the ECOA appraisal notice instead
- To only one if multiple applicants

Safe Harbor

1. Orders appraisal properly
2. Verifies appraiser is certified or licensed
3. Verify appraisal conforms to required elements
4. No knowledge of any problems

A credit union that does not satisfy the safe harbor conditions does not necessarily violate the appraisal requirements, but also does not benefit from its protections

2nd Appraisal Requirement

- If the Credit Union will finance (HPML) the purchase of a principal residence with an increase in the purchase price in the last 180 days
- Must be a different certified appraiser
- No charge to the member for the additional appraisal
- Additional analysis required

No 2nd Appraisal if...

- Reasonable Diligence that the second appraisal is not necessary based upon:
 - Copy of the recorded Deed or sales price data
 - Copy of Property Tax Bill or tax assessor
 - Copy of RESPA settlement statement of Seller
 - Sales History Report from third party
 - Title Commitment detailing the seller's ownership
 - Property Abstract

Examples

- Reviews the results of a title search, which shows that a prior sale occurred between 91 and 180 days ago, but not the price paid in that sale. CU would not be able to determine whether the price the member is obligated to pay under the consumer's acquisition agreement is more than 20 percent higher than the seller's acquisition price. Before extending a higher-priced mortgage loan the creditor must either: (1) perform additional diligence to ascertain the seller's acquisition price and, based on this information, determine whether two written appraisals are required; or (2) obtain two written appraisals in compliance with § 34.203(d)(6).
- Title search indicates that the last purchase more than 180 days ago. Subsequently a written appraisal indicating that the seller acquired the property between 91 and 180 days before the consumer's agreement to acquire the property. Unless one of these sources is clearly wrong on its face, the creditor would not be able to determine whether the seller acquired the property within 180 days. Before extending a higher-priced mortgage the creditor must either: (1) perform additional diligence to ascertain the seller's acquisition date and, based on this information, determine whether two written appraisals are required; or (2) obtain two written appraisals in compliance with § 34.203(d)(6).

ECOA – Appraisal Rules

Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act (Regulation B) amending section 701(e) and 1002.14 of Regulation B. (125 Pages)

ECOA Appraisal Rule

- Applies to first lien mortgage loans secured by a dwelling
 - Includes investment loans and business loans that are secured by a dwelling
 - Includes Manufactured and Mobile Homes
- Must be connected with an application for credit
- Preventing discriminatory appraisals

Appraisal Rules Notice

- Must provide Notice of Right to Receive a Copy of Appraisal *new notice*
 - within 3 days of the application
- Member may waive the timing requirement for providing the copies if member provides the waiver at least three business days prior to the intended consummation or opening date
 - Member must still receive the copy at or before such consummation or opening
- If the transaction does not consummate or the account does not open, the credit union must provide the copies within 30 days of determining such failure to consummate or open; and
- Waiver for revised version, even within 3 days of close

Right to Receive a Copy of 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.

ECOA Appraisal Rule

- Not an appraisal
 - Internal documents that merely restate the estimated value of the dwelling contained in an appraisal or written valuation being provided to the applicant.
 - Governmental agency statements of appraised value that are publically available.
 - Publicly-available lists of valuations (such as published sales prices or mortgage amounts, tax assessments, and retail price ranges).
 - Manufacturers' invoices for manufactured homes.
 - Reports reflecting property inspections that do not provide an estimate or opinion of the value of the property and are not used to develop an estimate or opinion of the value of the property.

When will the Appraisal be Provided?

- Appraisal must be provided “promptly”
 - Open-end 3 days before account opening
 - Closed-end 3 days before consummation
- Clock does not start ticking upon receipt of the appraisal by the Credit Union
- “Completion” occurs when the lender has reviewed and accepted the appraisal or other written valuation to include any changes or corrections required or when the creditor receives the last version, whichever is later

Examples

- On day 15 after receipt of the application, the creditor's underwriting department reviews an appraisal and determines it is acceptable. One week later, the creditor sends a copy of the appraisal to the applicant. The applicant actually receives the copy more than three business days before the date of consummation (or account opening). The creditor has provided the copy of the appraisal promptly upon completion.
- An appraisal is being revised, and the creditor does not receive the revised appraisal until day 45 after the application and the creditor immediately determines the revised appraisal is acceptable. A week later, the creditor sends a copy of the revised appraisal to the applicant, and does not send a copy of the initial appraisal to the applicant. The applicant actually receives the copy of the revised appraisal three business days before the date of consummation (or account opening).

Waiver of the Timing Requirement

An applicant may waive the timing requirement and agree to receive any copy at or before consummation or account opening, except where otherwise prohibited by law

How to Provide the Appraisal

- The copy of the Appraisal must be free!
- Paper, CD, email, or fax
- Must provide the appraisal even if it is not used by the Credit Union
- Must provide the appraisal if the application is withdrawn, incomplete, or denied

In the Appraisal?

- “valuation” means any estimate of the value of a dwelling developed in connection with an application for credit
- Include those values developed pursuant to a policy of a government sponsored enterprise or by an automated valuation model, a broker price opinion, or other methodology or mechanism
 - You must include any pictures, exhibits, attachments, or other document that was part of the valuation

Servicing Requirements

Mortgage Servicing Rules under the Truth in Lending Act (Regulation Z) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (426 Pages)

Servicing Requirements

- ARM Rate Adjustment Notice
- RESPA - Small Servicer Exception
- Notice of Transfer of Loan
 - Unless due to delinquency

Small Servicer Exception

- Credit Union that services less than 5,000 mortgage loans and only service mortgage loans that the servicer and an affiliate owns or originated
- Can not service someone else's loans but participation agreements are acceptable
 - If loans currently serviced were received by the Credit Union through a merger
 - Look to number of loans as of October 1; if there are more than 5,000 the Credit Union is not a small servicer effective on April 1.

Small Servicer?

Limited Effect of the RESPA Servicing Rules

- Foreclosure Rule
 - 120 days after missed payment
 - May send acceleration notice to the member
- Error resolution and information requests
- Force-placed insurance notices

Information Requests

- Information Request
 - By borrowers representative, owner, or assignee of Mortgage
- Acknowledge Receipt within 5 days
- Response within 30 days
 - Can provide information requested and contact information
 - Can respond info “not available”
 - Can respond not applicable for repeated requests, confidential, overbroad or irrelevant

Error Resolution Procedures

- Must be a Written Notice
- Scope of Error includes:
 - Failure to accept or apply payment to loan
 - Failure to apply credit on date received
 - Failure to pay escrow charges CU has agreed to collect and pay
 - Failure to provide payoff balance accurately
 - Filing for foreclosure prior to 120 days delinquent
- Acknowledge Receipt of error within 5 days
- Respond to Error Notice within 30 days
- No negative reporting about error for 60 days

No Error Found

- Provide member written notice that no error was found!
 - Member may request documents relied upon to determine no error
- If you need additional documents to investigate let the member know
- If you find a different error you must correct it

Force-placed Insurance

- Reasonable Basis to believe insurance was cancelled or property is vacant
- If escrow, can not force place unless not enough in escrow to purchase

Small Servicer

- May force place if cost is less than what would have to disburse from escrow

Notice to Member

- 1st Notice at least 45 days prior to charging a fee
 - Written Model Form
- 2nd Notice at least 30 days after 1st Notice and 15 days prior to charging a fee
- Renewal Notice once a year, 45 days before renewal

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

Borrower's Mailing Address]

Subject: Please provide insurance information for [Property Address]

Dear [Borrower's Name]:

Our records show that your [hazard] [Insurance Type] insurance [is expiring] [expired], and we do not have evidence that you have obtained new coverage. **Because [hazard] [Insurance Type] insurance is required on your property, [we bought insurance for your property][we plan to buy insurance for your property].** You must pay us for any period during which the insurance we buy is in effect but you do not have insurance.

You should immediately provide us with your insurance information. [Describe the insurance information the borrower must provide]. [The information must be provided in writing.]

The insurance we [bought][buy]:

- **May be more expensive than the insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you have any questions, please contact us at [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

[Borrower's Mailing Address]

Subject: **Second and final notice – please provide insurance information for** [Property Address]

Dear [Borrower's Name]

We received the insurance information you provided, but we are unable to verify coverage from [Date Range].

Please provide us with insurance information for [Date Range] immediately.

We will charge you for insurance we [bought] [plan to buy] for [Date Range] unless we can verify that you have insurance coverage for [Date Range].

The insurance we [bought] [buy]:

- **[Costs \$[premium charge]] {Will cost an estimated \$[premium charge]} annually, which may be more expensive than insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you have any questions, please contact us [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

TIL Servicing Rules

- ARM Notices
- Prompt Payment and Crediting
- Statements

ARM Loans

- Effects all closed-end adjustable rate loans (not HELOCs)
- Must provide two new notices of when a rate adjustment is impending
 - At least 210 but no more than 240 days before adjusted payment is due
 - At least 60 but no more than 120 days before adjusted payment is due
- Model Forms for ARM rate/payment change disclosures

CHANGES TO YOUR MORTGAGE INTEREST RATE AND PAYMENTS ON (date)

Under the terms of your Adjustable Rate Mortgage (ARM), you had a (duration) period during which your interest rate stays the same. That period ends on (date), so on that date your interest rate and mortgage payment change. After that, your interest rate may change (frequency) for the rest of your loan term. [Also, as of (date)(changes to loan terms, features or options).]

	Current Rate and (frequency) Payment	New Rate and (frequency) Payment
Interest Rate	_____%	_____%
[Principal]	[\$_____]	[\$_____]
[Interest]	[\$_____]	[\$_____]
[Escrow (Taxes and Insurance)]	[\$_____]	[\$_____]
Total (frequency) Payment	\$_____	\$_____ (due {date})

Interest Rate: We calculated your interest rate by taking a published “index rate” and adding a certain number of percentage points, called the “margin”. Under your loan agreement, your index rate is (index) and your margin is _____. The (index) is published (frequency) in (source of information). [Description and amount of other adjustment(s) to the index].

Rate Limit(s): [Your rate cannot go higher than _____% over the life of the loan.] [Your rate can change each year by no more than _____%.] [We did not include an additional % interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on (date).]

New Interest Rate and Monthly Payment: The table above shows your new interest rate and new monthly payment. Your new payment is based on the (index), your margin, [description of other adjustment(s) to the index,] your loan balance of \$_____, and your remaining loan term of _____ months.

Interest-Only Payments: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance.]

Warning about Increase in Your Loan Balance: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan. [in order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay \$_____ per month]

Prepayment Penalty: [None] [Keep in mind that if you pay off your loan, refinance or sell your home before [date], you could be charged a penalty. Contact (mortgage company) at (telephone number) [or (email address)] for more information, such as the maximum amount of the penalty you could be charged.]]

Prompt Payment

- No servicer shall fail to credit a periodic payment to the consumer's loan account as of the date of receipt, except when a delay in crediting does not result in any charge to the consumer or in the reporting of negative information to a consumer reporting agency
- If not a sufficient payment CU may maintain amount in an suspense account

Not a Small Servicer

- General servicing policies, procedures and requirements
- Early intervention with delinquent borrowers
- Continuity of contact with delinquent borrowers
- Loss mitigation procedures, except the two requirements below
- All apply only if borrower's principal residence

Call us today to learn more about your options and instructions for how to apply. [The longer you wait, or the further you fall behind on your payments, the harder it will be to find a solution]

[Servicer Name]

[Servicer Address]

[Servicer Telephone Number]

[For more information, visit [Servicer Website] [or] {email Address}]

Available Loss Mitigation Options (§ 1024.39 (b)(2)(iii))

[If you need help, the following options may be possible (most are subject to lender approval):]

- [Refinance your loan with us or another lender;]
- [Modify your terms with us;]
- [Payment forbearance temporarily gives you more time to pay your monthly payment; or]
- [If you are not able to continue paying your mortgage, your best option may be to find more affordable housing. As an alternative to foreclosure you may be able to sell your home and use the proceeds to pay off your current loan.]

Housing Counselors (§ 1024.39 (b)(2)(v))

For help exploring your options, the Federal government provides contact information for housing counselors, which you may access by contacting [the Consumer Financial Protection Bureau at {Bureau Housing Counselor Website}][the Department of Housing and Urban Development at [HUD Housing Counselor List Website]] or by calling [HUD Housing Counselor List Telephone Number].

Not a Small Servicer

- Model Form Mortgage Statement
 - Amount Due Breakdown
 - Past Due Breakdown
 - Delinquency Breakdown
- Even most small servicers will likely use this model form as the statement providers will likely all move to this statement

Jordan and Dana Smith
 4700 Jones Drive
 Memphis, TN 38109

Account Number 1234567
 Payment Due Date 4/1/2012
Amount Due \$4,339.13
If payment is received after 4/15/12, \$160 late fee will be charged.

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
Regular Monthly Payment	\$1,669.71
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
Total Amount Due	\$4,339.13

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/13/12	Partial Payment Received*		\$1,000.00
3/16/12	Late Fee (charged because full payment not received by 3/15/2012)	\$160.00	
3/19/12	Property Inspection Fee	\$250.00	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$0.00	\$383.31
Interest	\$0.00	\$1,051.22
Escrow (Taxes and Insurance)	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
Total	\$1,000.00	\$3,569.71

Important Messages

***Partial Payments:** Any partial payments that you make are not applied to your mortgage, but instead are held in a separate suspense account. If you pay the balance of a partial payment, the funds will then be applied to your mortgage.

****Delinquency Notice****

You are late on your mortgage payments. Failure to bring your loan current may result in fees and foreclosure—the loss of your home. As of March 20, you are 49 days delinquent on your mortgage loan.

Recent Account History

- Payment due 12/1/11: Fully paid on time
- Payment due 1/1/12: Fully paid on 2/3/12
- Payment due 2/1/12: Unpaid balance of \$589.71
- Payment due 3/1/12: Unpaid balance of \$2,079.71
- Current payment due 4/1/12: \$1,669.71
- **Total: \$4,339.13 due. You must pay this amount to bring your loan current.**

If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.

High Cost Mortgages

High-Cost Mortgage and Homeownership Counseling Amendments to the Truth in Lending Act (Regulation Z) and Homeownership Counseling Amendments to the Real Estate Settlement Procedures Act (Regulation X), expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act of 1994 (HOEPA) (431 Pages)

What could be a High Cost Mortgage?

Expands the types of loans that could be a High Cost Mortgage

- Open-end loans, purchase money loans, mobile homes, large boat loans
- Must be loan securing the member's principal dwelling
- Not a construction loan that can not become permanent financing
- New information booklet, new disclosures, and homeownership counseling for the member

How to Determine?

- Loan secured by a member's principal dwelling
- Members APR is 6.5% above the APOR for 1st lien (over \$50,000)
- Members APR is 8.5% above the APOR for the 1st lien less than \$50,000
- Members APR is 8.5% above the APOR for subordinate lien mortgages

Other High Cost Mortgage Tests

- Points and Fees
 - Exceed 5% of the total transaction amount
 - If loan less than \$20,000, then 8% or \$1,000
- Prepayment Penalty Test
 - If CU can charge or collect prepayment more than 36 months after closing
 - Prepayment fees exceed more than 2%
 - HELOC can require payment of costs within 36 months of the loan closing

What do I have to do?

- Additional Disclosure
- Information Booklet
- Change the Terms if an Error
- Creditors originating HELOCs are required to assess consumers' ability to repay
- Worst Case Scenario for Variable Rate Loan
- Pre-loan Homeownership Counseling

Homeownership Counseling

- CU receives written certification that the member obtained counseling on the advisability of the mortgage from an approved counselor
 - Must Occur after GFE or 1026.40 disclosures
 - Credit Union may pay the fees for the counseling
 - Can't steer towards a specific counselor

Ability to Repay HELOC

- Although Qualified Mortgage rule does not apply to HELOC, a High-Cost HELOC requires verification of the ability to repay
- Presumed Compliance if:
 - verify amounts of income or assets relied on to determine repayment ability, including expected income or assets
 - A credit report may be used to verify current obligations
 - verify member's current obligations, including mortgage related obligations that are required by another obligation undertaken prior to or at account opening, and are secured by the same dwelling that secures the high-cost mortgage transaction

No Ability Presumed

- No presumption of Ability to Repay if:
 - Loan does not fully amortize full principal with regular payments
 - evidence of a very high debt-to-income ratio and a very limited residual income could be sufficient to rebut the presumption, depending on all of the facts and circumstances.

Prevented From

- Cannot Recommend Defaults
- No Balloon payments allowed
 - If a HELOC payment increase due to a draw that is ok
- No Acceleration beyond fraud, default, adverse affect to loan security
- No fees may be charged for loan modifications, amendment, skip-a-payment, or deferrals
- Late fees restricted to up to 4% of the payment amount past due
 - Late fee can not be charged until at least 15 days past due

Prevented From *Continued*...

- Home Improvement Contact
- Assign the note
- Refinance the Note to the same member as another High Cost Mortgage
- Can not charge late fee because member did not pay previous late fee
- No Fee for payoff statement
 - Payoff must be provided within 5 business days of request

Homeownership Counseling Notice

- Provided to members within 3 days of receiving application
- Must update list every 30 days
- May rely upon third party to provide notice

New Disclosure

- New Homeownership Information with a RESPA/HUD Booklet
 - Can order an appraisal and title search before receiving proof of counseling
- Can not provide 1st time homebuyer a loan that creates negative amortization, unless member received homeownership counseling prior to funding

Correct Errors

- If the Credit Union acted in good faith but failed to comply with the High-Cost rules
- Inform the member of the violation
- Resolve the Issue by:
 - Providing the correct disclosures
 - Changing the loan terms to make it so the existing loan is no longer a High Cost Mortgage
 - Member's choice and they have 60 days to decide which option

Loan Checklist

What about specific types of loans?

Land Loans

Easiest Type of Loan

- RESPA Servicing Rules does not apply if vacant land
- TIL Servicing Rules does not apply
- ECOA Appraisal Rule does not apply, not a dwelling
- MLO Compensation Rules does not apply, not a dwelling
- Higher-Priced Mortgage Rules does not apply because not a consumer credit transaction
- Appraisals for Higher-Priced Mortgage Loans does not apply, not a dwelling
- Qualified Mortgage Rule does not apply

Construction Loans

- MLO Compensation Rules apply
- Higher-Priced Mortgage Rules does not apply
- High-Cost Mortgage Rules does not apply
- Appraisals for Higher-Priced Mortgage Loans does not apply, excluded

Business Loans

- ECOA Appraisal Rule applies if business loan is secured by a 1st lien on a dwelling
- RESPA Servicing Rules apply if for business purpose secured by a 1-4 family structure owned by business
- TIL Servicing Rules does not apply
- MLO Compensation Rules does not apply
- Higher-Priced Mortgage Rules does not apply
- High-Cost Mortgage Rules does not apply
- Appraisals for Higher-Priced Mortgage Loans does not apply, unless a 1-4 family dwelling
- Qualified Mortgage Rule does not apply

Mobile Home Loans

- RESPA Servicing Rules apply only if real property is included
- ECOA Appraisal Rules apply but if new manufactured home only has to provide manufactured invoice
- MLO Compensation Rules apply
- Higher-Priced Mortgage Rules apply if the Mobile Home is the member's principal dwelling
- High-Cost Mortgage Rules apply if the Mobile Home is the member's principal dwelling
- Qualified Mortgage Rule applies
- Appraisals for Higher-Priced Mortgage Loans does not apply, excluded

Questions?



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