

Preparing for 2015 TILA-RESPA Integrated Mortgage Disclosures



- Florida CUREN

Today's Presenters:

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TILA-RESPA Integrated Mortgage Disclosures

Integrated Mortgage Disclosures

- Two Goals
 - Aid consumer understanding
 - Aid industry compliance with TILA / RESPA disclosures
- Qualitative Consumer Testing
- Know Before You Owe initiative

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate **LOAN TERM** 30 years
PURPOSE Purchase

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

APPLICANTS

PROPERTY **Closing Information** **Transaction Information** **Loan Information**

SALE PRICE **Data Issued** 9/10/2012 **Borrower** John A. and Mary B. **Loan Term** 30 years

Closing Date 9/14/2012 **123 Anywhere Street** **Purpose** Purchase

Disbursement Date 9/14/2012 **Anytown, ST 12345** **Product** Fixed Rate

Agent Episkon Title Co. **Seller** Steve C. and Amy D. **Loan Type** Conventional FHA

File # 12-3456 **321 Somewhere Drive** VA

Property 456 Somewhere Ave **Anytown, ST 12345** **Loan ID #** 123456789

Sale Price \$180,000 **Lender** Ficus Bank **MIC #** 000654321

Loan Terms **Can this amount increase after closing?**

| | | |
|---|-----------|----|
| Loan Amount | \$162,000 | NO |
| Interest Rate | 3.875% | NO |
| Monthly Principal & Interest <i>See Projected Payments Below for Your Total Monthly Payment</i> | \$761.78 | NO |

Prepayment **Does the loan have these features?**

| | |
|---------------------------|----|
| Prepayment Penalty | NO |
| Balloon Payment | NO |

Projected Payment Calculation

| Payment Calculation | Years 1-7 | Years 8-30 |
|--|-------------------|-----------------|
| Principal & Interest | \$761.78 | \$761.78 |
| Mortgage Insurance | + 82.35 | + — |
| Estimated Escrow <i>Amount Can Increase Over Time</i> | + 206.13 | + 206.13 |
| Estimated Total Monthly Payment | \$1,050.26 | \$967.91 |

Estimated Taxes, Insurance & Assessments
Amount Can Increase Over Time
See Details on Page 4

\$356.13 a month

This estimate includes

- Property Taxes **In escrow?** YES
- Homeowner's Insurance YES
- Other: Homeowner's Association NO

See page 4 for escrowed property costs. You must pay for other property costs separately.

Cash to Close

| | | |
|----------------------|--------------------|---|
| Cash to Close | \$14,272.35 | Includes \$9,729.54 in Closing Costs (\$4,694.05 in Loan Costs + \$5,035.49 in Other Costs - \$0 in Lender Credits). See details on page 2. |
|----------------------|--------------------|---|

CLOSING DISCLOSURE: PAGE 1 OF 5 - LOAN ID # 123456789

- Applies to all **applications** on or after **08/01/2015**:
 - Closed-end 1-4 unit dwelling attached to real property
- **Exempt:**
 - HELOC
 - Loans secured by mobile home (not attached to real property)
 - Partial exemption for certain junior lien loans associated with housing assistance loans for low/moderate-income consumers
 - Creditors making five or less mortgage loans per year

- **QUESTIONS YOU SHOULD BE ASKING YOUR LOS VENDOR**
- Create Loan Estimate Input and Output Forms
- Create Closing Disclosure Input and Output Forms
- Create Encompass Compliance Service Tolerance Rules
- Access to existing GFE and HUD-1 Input and Output Forms
- Access to existing TIL Disclosure Input and Output Forms
- Access to existing Compliance Service Tolerance Rules

Integrated Mortgage Disclosures – Record Retention

- Loan Estimate **3 years**
after consummation
- Closing Disclosure **5 years**
after consummation
- Post-Consummation [*if applicable*]
 - Escrow Cancellation Notice **2 years**
 - Partial Payment Policy **2 years**
- Records can be maintained by any method that reproduces disclosures and other records accurately, including computer programs

What Triggers Loan Estimate?

- Receipt of **all six pieces** of information:
 1. Borrower Name
 2. Borrower Monthly Income
 3. Borrower SSN/ITIN (to get credit report)
 4. Property Address
 5. Estimated Property Value
 6. Estimated Mortgage Loan Amount
 - ~~7. "Any other information deemed necessary"~~
- Industry response:
 - Implement Loan Estimate Disclosure Tracking
 - Will your system do this automatically?

Be Pro-Active Initiate this change early

- **Initial Loan Estimate delivered within:**
 - 3 Business Days after receiving Application (Creditor or Broker)
 - If not provided in person, receipt assumed within 3 business days after delivery or mailing
 - 7 **Precise** Business Days before consummation
- **Revised Loan Estimate delivered within:**
 - 3 Business Days of receiving information sufficient to establish Change of Circumstance
 - **Rate Lock Rule Change?**
 - 4 **Precise** Business Days before consummation
 - Cannot be delivered with or after Closing Disclosure

- **Closing Disclosure received by consumer no later than:**
 - 3 **Precise** Business Days before consummation
 - If Creditor or Settlement Agent does not provide in person, consumer considered to have received 3 **Precise** Business days after delivered or placed in mail
- **Revised Closing Disclosure delivered at or before consummation reflecting any changed terms, unless:**
 - Disclosed APR becomes inaccurate
 - Loan product changed – prior Closing Disclosure becomes inaccurate
 - Prepayment penalty added

THEN
- **Revised Closing Disclosure delivered 3 Precise Business Days before consummation**

- **Zero % Tolerance Category**
 - Fees paid to creditor or mortgage broker
 - Fees paid to **affiliate** of creditor or mortgage broker
 - Fees paid for services for consumer not permitted to shop
 - Transfer Taxes
- **10% Tolerance Category**
 - Recording Fees
 - Fees paid for 3rd-party services consumer permitted to shop for
- **Charges that Can Change**
 - Prepaid interest
 - Property insurance premiums
 - Amounts placed into escrow
 - Fees paid to 3rd-party service providers selected by consumer not on list provided by creditor
 - Fees paid for 3rd-party services not required by creditor. These fees may be paid to affiliates

- Changed circumstance affecting settlement charges
 - Example: Appraisal Fee to Affiliate
- Changed circumstance affecting eligibility
 - Example: Ineligible for Loan Program
- Revisions requested by consumer
 - Example: Power of Attorney
- Interest rate dependent charges
 - Example: Initial LE with no rate lock
- Expiration of initial Loan Estimate
 - Example: Intent to Proceed on Business Day 11
- Delayed settlement date on construction loan
 - Example: Settlement expected to occur more than 60 days after initial LE and statement provided on initial LE

- General Information
- Loan terms
- Projected payments
- Costs at closing
- **Web site reference**
- Closing cost details
 - Loan costs
 - Other Costs
 - **Calculating Cash to Close**
 - **Adjustable Payment (AP) Table**
 - **Adjustable Interest Rate (AIR) Table**

- **Additional Information About This Loan**
 - Broker NMLSR ID
 - Lender NMLSR ID
 - LO NMLSR ID for Broker and Lender, Name, LO Email
- **Comparisons**
 - **In 5 years – Total PITI and loan costs paid off**
 - **In 5 years – Total Principal paid off**
 - APR
 - **Total Interest Percentage (TIP)**
- **Other Considerations**
 - **Appraisal**
 - Assumption
 - Homeowner's insurance
 - Late Payment
 - Refinance
 - **Servicing**
 - **Liability after foreclosure**
- **Signature Statement**

- General Information
- Loan terms
- Projected payments
- Costs at closing
- Closing cost details
 - Loan costs
 - Other costs
- **Calculating Cash to Close**
- Summary of borrower's transaction
- Summary of seller's transaction

- **Additional Information About This Loan**
 - Assumption
 - Demand Feature
 - Late Payment
 - **Negative Amortization**
 - **Partial Payments**
 - Security Interest
 - **Escrow Account**
- **Adjustable Payment (AP) Table**
- **Adjustable Interest Rate (AIR) Table**
- **Loan Calculations**
 - Total of Payments
 - Finance Charge
 - Amount Financed
 - Annual Percentage Rate (APR)
 - **Total Interest Percentage (TIP)**

- Other Disclosures
 - **Appraisal**
 - Contract Details
 - **Liability After Foreclosure**
 - Refinance
 - Tax Deductions
- **Questions Notice**
- Contact Information
- Signature Statement

- **Events after consummation**
 - Event in connection with settlement occurs within 30 calendar days following consummation causing CD to become inaccurate
 - Change to amount paid by consumer from amount disclosed
 - Creditor must deliver or place in mail corrected Closing Disclosure not later than 30 days after receiving information sufficient to establish event occurred
- **Non-numeric clerical errors**
 - Deliver or place in mail corrected Closing Disclosure no later than 60 calendar days after consummation
- **Refunds related to good faith analysis (Tolerance Exceeded)**
 - Creditor refund excess no later than 60 calendar days after consummation
 - Creditor delivers or places in mail corrected Closing Disclosure reflecting refund no later than 60 calendar days after consummation



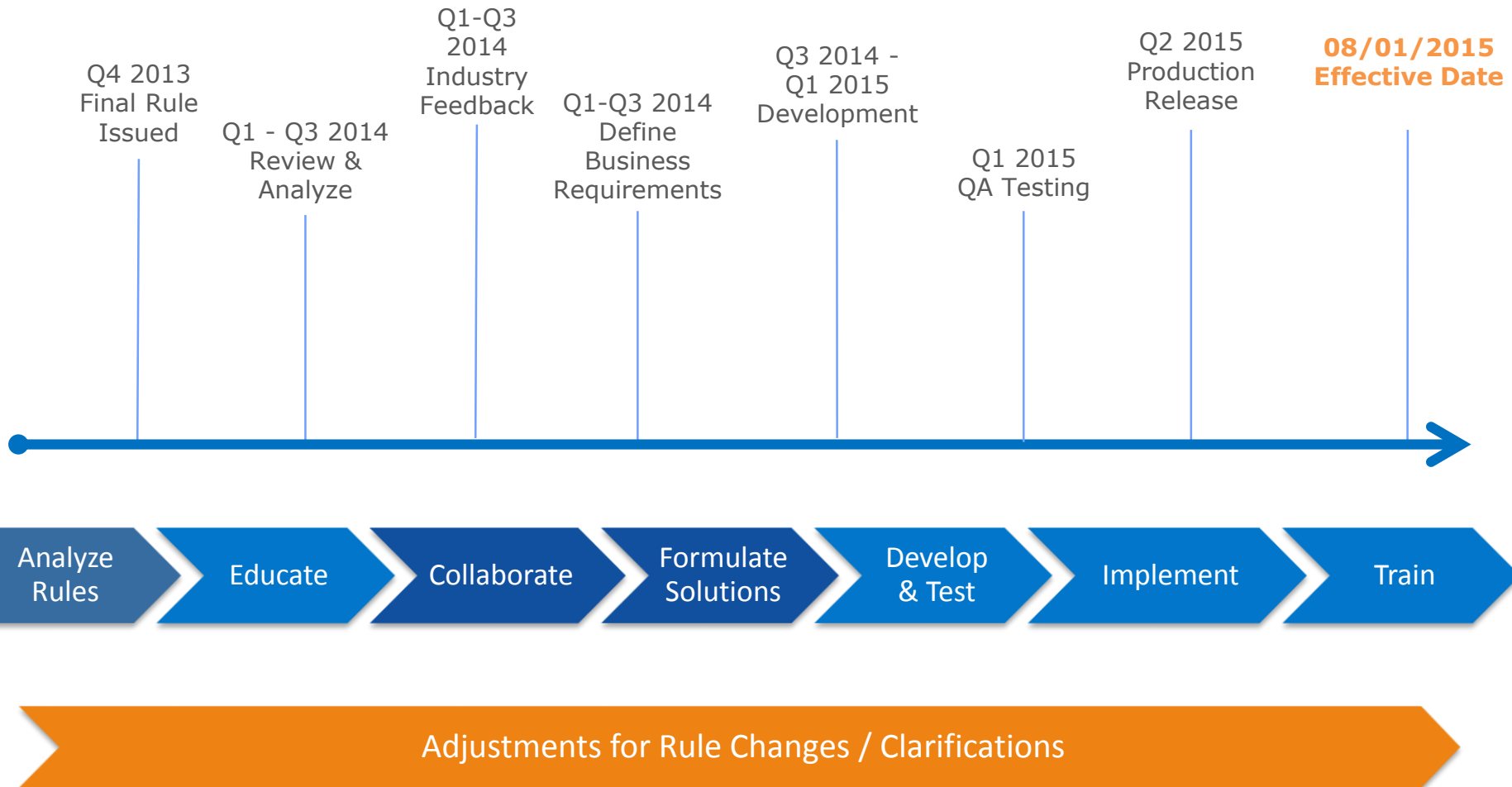
Industry Response to Integrated Mortgage Disclosures Requirements

Is your LOS Provider Talking to you?

- What changes is your LOS Provider Talking About?
 - New itemization, loan estimate, and closing disclosure handling
 - New disclosure tracking handling
- New disclosures
 - Pre-application early estimate with Model Disclaimer
 - Loan estimate
 - Closing disclosure
 - Closing disclosure reconciliation
 - New worksheets
- Compliance Service changes
 - New disclosure timing tests
 - New tolerance tests
 - New change in circumstance tests
- Potential business impact
 - Workflow, training, process, pricing

- Update policies and procedures
- Identify affected products, departments, and staff
- Identify business-process, operational, and technology changes that will be necessary for compliance
- Identify impacts on key service providers or business partners
 - Settlement Agents
 - Mortgage Brokers
- Identify training needs

Implementation Timeline



- Documentation:
 - Find the TILA-RESPA rule on the Bureau's website at www.consumerfinance.gov/regulatory-implementation/tila-respa/
 - Useful Resources at <http://www.consumerfinance.gov/regulatory-implementation/>
- Ellie Mae's Compliance Education Webinar Series
 - Target a Monthly Webinar
 - Next date is August 12th featuring Hudson-Cook Law Firm
- Encompass Resource Center and Compliance Centers
- eBook and TILA-RESPA Brief
- Encompass NewsFlash
- Encompass Compliance Service Alerts
- Compliance Blogs

MBA Compliance EssentialsSM
Succeed in the New Mortgage World

RESPA-TILA
Integration Forums

- MBA's workshops featuring industry experts for a deep dive on **TILA-RESPA integration**.
- One-day forums designed to help you master and implement the new TILA-RESPA Integrated Mortgage Disclosure requirements and the accompanying Loan Estimate and Closing Disclosure forms.
 - **Los Angeles - Wednesday, July 23**
 - **Atlanta - Thursday, July 31**
 - **Washington, D.C. - Thursday, August 7**
- **Workshop Leaders:** John Haring-Ellie Mae, Chase, KPMG, Legal Firms
- **To Register:**
<http://www.mbaeducation.org/ProductsandServices/ProductsbyFocusArea/RESPA-TILAWorkshop.htm>



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A photograph of two business professionals, a man and a woman, sitting at a table in a meeting. The man, on the left, is wearing a blue shirt and tie, and is smiling broadly. The woman, on the right, is wearing a white shirt and glasses, and is also smiling. They are looking towards each other. In the foreground, there is a laptop, a glass of water, and a coffee cup. The background is bright and out of focus, suggesting a window with greenery outside.

Thank You for Attending!

Recording available soon on the Encompass Resource Center