

Auditing
Real Estate Loans Boot Camp
Auditing TRID the Loan Estimate

Wisconsin Bankers Association
August 2018



Consultants to the Financial Industry

Young & Associates, Inc.

121 E. Main Street
P.O. Box 711
Kent, OH 44240

Phone: 330.678.0524
Fax: 330.678.6219
www.younginc.com

This publication is designed to provide information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a professional competent in the area of special need should be sought.

© Copyright 2018
Young & Associates, Inc.
All rights reserved

Bill Elliott, CRCM, Senior Consultant and Manager of Compliance

Bill Elliott has over 35 years of banking experience. As a compliance consultant and manager of the compliance division with Young & Associates, Inc., Bill works on a variety of compliance-related issues, including leading compliance seminars, conducting compliance reviews for all areas of compliance, conducting in-house training, and writing compliance articles and training materials. During his career, Bill spent 15 years as a compliance officer and CRA officer in a large community bank, and also worked for a large regional bank. He has been a lender for consumer, commercial, and mortgage loans, and has managed a variety of bank departments, including loan review, consumer/commercial loan processing, mortgage loan processing, loan administration, credit administration, collections, and commercial loan workout.

Aaron Lewis, Senior Consultant

Aaron Lewis has more than 15 years of experience in the banking industry. A majority of his time is dedicated to the lending division of Young & Associates, Inc., assisting client banks with loan reviews, ALLL reviews, policy reviews, and credit process reviews. Aaron also assists the compliance division by contributing to various regulatory compliance reviews. In addition to review work, Aaron conducts seminars covering various credit risk and compliance topics. Prior to joining Young & Associates, Inc. Aaron was the Vice President Credit Administrator of a community bank in southeast Michigan. During his time at the bank Aaron managed all facets of the lending function including originations, underwriting, ALLL analysis, servicing, and secondary market compliance. Aaron holds a B.A. in finance from Michigan State University and graduated from the Graduate School of Banking, University of Wisconsin.

Table of Contents

Section 1: Introduction.....	1
Section 2: Loan Estimate General 12CFR §1026.37(a).....	5
Section 3: Loan Terms 12 CFR § 1026.37(b).....	38
Section 4: Projected Payments 12 CFR § 1026.37(c).....	61
Section 5: Costs at Closing 12 CFR § 1026.37(d).....	87
Section 6: Web Site Reference 12 CFR § 1026.37(e)	93
Section 7: Closing Cost Details 12 CFR § 1026.37(f).....	94
Section 8: Closing Cost Details; Other Costs 12 CFR § 1026.37(g)	111
Section 9: Calculating Cash to Close 12 CFR § 1026.37(h).....	131
Section 10: Adjustable Payment Table 12 CFR § 1026.37(i)	153
Section 11: Adjustable Interest Rate Table 12 CFR § 1026.37(j)	163
Section 12: Contact Information 12 CFR § 1026.37(k)	173
Section 13: Comparisons 12 CFR § 1026.37(l)	178
Section 14: Other Considerations 12 CFR § 1026.37(m)	184
Section 15: Signature Statement 12 CFR § 1026.37(n).....	195
Section 16: Form of Disclosures 12 CFR § 1026.37(o).....	199

Section 1: Introduction

Manual Notes

Each field on the Loan Estimate form has been numbered. For each field, we have included the following information.

Title of the Instruction

The title of the instruction includes its name, the relative placement of the item on the form, when appropriate, and an indication of the severity of the violation (low, moderate, high).

Picture of the Fields

A picture of the portion of the disclosure that is under discussion (where appropriate). All pictures are surrounded by a heavy border.

Y&A Completion Instructions

The manual contains instructions about how to complete the field accurately.

Audit Instructions

This manual also contains an **Audit: What You are Looking For** instruction, which explains what an auditor should be looking for in a review.

Regulation and Commentary

“**Regulatory Text**” is the regulatory text from § 1026.37 – the Loan Estimate. Items in **bold** are included to assist the reader in finding items on the page. **Bold** for an entire paragraph indicates the new text for October 1, 2018. **Bold** has no other implication. Young & Associates, Inc. has defined this section of the regulation into 78 components or sets of instructions.

“**Regulatory Commentary**” is the commentary text from § 1026.37 – the Loan Estimate. It is in *italics*. Items in **bold** are included to assist the reader in finding items on the page. **Bold** for an entire paragraph indicates the new text for October 1, 2018. **Bold** has no other implication.

CFPB Guide

Included, are sections from the CFPB’s TILA-RESPA Integrated Disclosure Guide to the Loan Estimate and Closing Disclosure (Version 2.0) forms as additional guidance for completion of the forms. The Guide used includes all October 1, 2018 changes.

October 1, 2018 Changes

All October 1, 2018 changes are in **bold** in the text.

General Introductory Commentary to the Loan Estimate

Y&A Commentary:

This commentary sets forth basic rules for the Loan Estimate, including the requirement not to use “N/A” or “Not Applicable.” The disclosures must be based on the anticipated obligation.

Regulatory Commentary

Section 1026.37—Content of Disclosures for Certain Mortgage Transactions (Loan Estimate)

1. Disclosures not applicable. *The disclosures required by § 1026.37 are required to reflect the terms of the legal obligation between the parties, and if any information necessary for an accurate disclosure is unknown to the creditor, the creditor shall make the disclosure in good faith, based on the best information reasonably available to the creditor pursuant to §§ 1026.17(c) and 1026.19(e). See comments 17(c)(1)-1, 17(c)(2)(i)-1 and -2, and 19(e)(1)(i)-1. Where a disclosure is not applicable to a particular transaction, unless otherwise provided by § 1026.37, form H-24 of appendix H to this part may not be modified to delete the disclosure from form H-24, or to state “not applicable” or “N/A” in place of such disclosure. The portion of the form pertaining to the inapplicable disclosure may be left blank, unless otherwise provided by § 1026.37. For example, in a transaction for which the consumer does not pay points to the creditor to reduce the interest rate, the amounts required to be disclosed by § 1026.37(f)(1)(i) may be left blank on form H-24. As provided in § 1026.37(i) and (j), however, the adjustable payment and adjustable interest rate tables required by those paragraphs may be included only if those disclosures are applicable to the transaction and otherwise must be excluded.*

2. Format. *See § 1026.37(o) and its commentary for guidance on the proper format to be used in making the disclosures, as well as permissible modifications.*

CFPB Guide

Loan Estimate General Requirements

Issuance and Delivery

You must provide a Loan Estimate to the consumer, either by delivering it by hand or placing it in the mail, no later than three business days of the receipt of an application. (§ 1026.19(e)(1)(iii)(A)) An application is considered received when the consumer provides the following information:

- Consumer’s name,
- Consumer’s income,

- Consumer's Social Security number to obtain a credit report,
- Address of the property,
- Estimate of the value of the property, and
- The mortgage loan amount sought. (§ 1026.2(a)(3)(ii))

Revised Loan Estimate

When there is a changed circumstance after the Loan Estimate has been provided, the creditor can revise the Loan Estimate within three business days of receiving information sufficient to establish that there has been a changed circumstance. Revised Loan Estimates generally can be provided no later than four business days before consummation. (See section 2.1.5 below; § 1026.19(e)(4))

Rounding

Dollar amounts must be rounded to the nearest whole dollar where noted in the TILA-RESPA Rule. (§ 1026.37(o)(4)) If an amount is required to be rounded but is composed of other amounts that are **not** required or permitted to be rounded, use the unrounded amounts in calculating the total and then round the final sum. Conversely, if an amount is required to be rounded and is composed of rounded amounts, use the rounded amounts in calculating the total. (Comment 37(o)(4)-2)

Percentage amounts are disclosed by rounding to three decimals and then dropping any trailing zeros that occur to the right of the decimal place, except where otherwise noted in the TILA-RESPA Rule. (§ 1026.37(o)(4)(ii); Comment 37(o)(4)(ii)-1)

Consummation

This Guide uses references to the legal obligation, which includes the promissory note plus any other agreements between the creditor and consumer concerning the extension of credit. Consummation is not the same thing as closing or settlement. Consummation occurs when the consumer becomes contractually obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a seller on a real estate transaction. (§ 1026.2(a)(13))

The point in time when a consumer becomes contractually obligated to the creditor on the loan depends on applicable State law. (§ 1026.2(a)(13); Comment 2(a)(13)-1) Creditors and settlement agents should verify the applicable State laws to determine when consummation will occur, and make sure delivery of the Loan Estimate occurs within three business days of the receipt of an application.

Page One

Page 1 of the Loan Estimate includes general information, a Loan Terms table with descriptions of applicable information about the loan, a Projected Payments table, a Costs at Closing table, and a link for consumers to obtain more information at a website maintained by the Bureau.

Page 1 of the Loan Estimate includes the title “Loan Estimate” and a statement of “Save this Loan Estimate to compare with your Closing Disclosure.” (§ 1026.37(a)(1), (2)) The top of page 1 also includes the name and address of the creditor. (§ 1026.37(a)(3)) A logo or slogan can be used along with the creditor’s name and address, so long as the logo or slogan does not exceed the space provided for that information. (§ 1026.37(o)(5)(iii))

If there are multiple creditors, use only the name of the creditor completing the Loan Estimate. (Comment 37(a)(3)-1) If a mortgage broker is completing the Loan Estimate, use the name and address of the creditor if known. If not yet known, leave this space blank. (Comment 37(a)(3)-2)

Section 2: Loan Estimate General

12CFR §1026.37(a)

[1] Form Title (page 1, top) - Low

Loan Estimate ←	LOAN TERM
DATE ISSUED	PURPOSE
APPLICANTS	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	<i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on</i>

Y&A Completion Instruction

Title the document “Loan Estimate.” This is boilerplate, and should require no processor action.

Audit: What You are Looking For

The document is titled “Loan Estimate” and appears in the appropriate location on the form.

Regulatory Text § 1026.37(a)(1)

(1) **Form Title:** The title of the form, “**Loan Estimate,**” using that term.

Regulatory Commentary

None.

CFPB Guide

None.

[2] Form Purpose (page 1, top) - Low

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY
SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE ☐ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID #
RATE LOCK ☐ NO ☐ YES, until

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

State the form's purpose as "Save this Loan Estimate to compare with your Closing Disclosure." This is boilerplate, and should require no processor action.

Audit: What You are Looking For

The document indicates "Save this Loan Estimate to compare with your Closing Disclosure." and appears in the appropriate location on the form.

Regulatory Text § 1026.37(a)(2)

(2) **Form Purpose:** The statement, "Save this Loan Estimate to compare with your Closing Disclosure."

Regulatory Commentary

None.

CFPB Guide

None.

[3] Creditor (page 1, top left) - Moderate

The image shows a 'Loan Estimate' form. A red arrow points to the top left section, which is the area for the creditor's name and address. The form includes the following sections:

- Loan Estimate** (Title)
- DATE ISSUED**
- APPLICANTS**
- PROPERTY**
- SALE PRICE**
- LOAN TERM**
- PURPOSE**
- PRODUCT**
- LOAN TYPE** (with checkboxes for Conventional, FHA, VA, and a blank line)
- LOAN ID #**
- RATE LOCK** (with checkboxes for NO and YES, until)
- Save this Loan Estimate to compare with your Closing Disclosure.** (Text at the top right)
- Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on** (Text at the bottom right)

Y&A Completion Instruction

This information appears above the line at the top left of the form. There is no specific label to indicate the placement of the information. The processor should assure that the name and address that appears in this location is the name and address of the institution completing this disclosure. If the loan is being generated from a branch of the institution, the main office address is acceptable for this disclosure. If there are multiple creditors, the creditor making the disclosure appears in this location.

Audit: What You are Looking For

The document indicates the creditor's name and address. If there are multiple creditors, the information for the creditor making the disclosure appears in this location. If a mortgage broker is the loan originator and the creditor is known, that creditor is listed. If the broker does not know who the creditor will be, the disclosure is blank.

Regulatory Text § 1026.37(a)(3)

(3) **Creditor:** The name and address of the creditor making the disclosures.

Regulatory Commentary

- Multiple creditors.** For transactions with multiple creditors, see § 1026.17(d) and comment 17(d)-1 for further guidance. The creditor making the disclosures, however, must be identified as the creditor for purposes of § 1026.37(a)(3).
- Mortgage broker as loan originator.** In transactions involving a mortgage broker, the name and address of the creditor must be disclosed, if known, even if the mortgage broker provides the disclosures to the consumer under § 1026.19(e)(1)(ii). As required by § 1026.19(e)(1)(i), the mortgage broker must make a good faith effort to disclose the name and address of the creditor, but if the name of the creditor is not yet known, the disclosure required by § 1026.37(a)(3) may be left blank. See comment 37-1.

CFPB Guide

None.

[4] Date Issued (page 1, top left) - High

Loan Estimate	
DATE ISSUED ←	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

The processor should insert the date that the Loan Estimate was delivered. The method of delivery is not material. Remember to change this date if this is a subsequent Loan Estimate.

Audit: What You are Looking For

The issue date matches the date that the Loan Estimate was delivered, regardless of the delivery method. If the Loan Estimate was hand delivered and the applicant signed it, the date of signing should not be earlier than the issue date (it could be later). If the disclosure was snail-mailed, assure that there is documentation in the file indicating the date mailed. If it was emailed, then the file should include proof of the email. In all cases, the method of delivery is not material. For subsequent Loan Estimates, assure that the issue date is changed appropriately, and use the rules that appear in the Timing manual to determine if the date is correct.

Regulatory Text § 1026.37(a)(4)

- (4) **Date Issued:** The date the disclosures are mailed or delivered to the consumer by the creditor, labeled “**Date Issued.**”

Regulatory Commentary

1. **Applicable date.** Section 1026.37(a)(4) requires disclosure of the date the creditor mails or delivers the Loan Estimate to the consumer. The creditor’s method of delivery does not affect the date issued. For example, if the creditor hand delivers the Loan Estimate to the consumer on August 14, or if the creditor places the Loan Estimate in the mail on August 14, the date disclosed under § 1026.37(a)(4) is August 14.

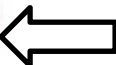
2. Mortgage broker as loan originator. *In transactions involving a mortgage broker, the date disclosed is the date the mortgage broker mails or delivers the Loan Estimate to the consumer, because pursuant to § 1026.19(e)(1)(ii), the mortgage broker is required to comply with all relevant requirements of § 1026.19(e).*

CFPB Guide

Date Issued

The Date Issued is the date the Loan Estimate is placed in the mail or delivered to the consumer (not the date the form is actually printed). (§ 1026.37(a)(4))

[5] Applicants (page 1, top left) - High

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS 	PURPOSE
	PRODUCT
PROPERTY	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
SALE PRICE	LOAN ID #
	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

The processor must insert the names and addresses of all applicants. If there is insufficient space (which will occur often), an additional page must be added to include all additional names and addresses. This additional page may be generated automatically by your software. If it is not generated automatically, the processor must add this additional page manually. Do not include the names and addresses of any party to the transaction who is only involved based on their right to rescind.

If credit is extended to a trust established for tax or estate planning purposes, the Loan Estimate may be provided to the trustee on behalf of the trust. If the Loan Estimate is delivered to the trustee on behalf of the trust (and to no other consumer), a creditor may opt to disclose the name and mailing address of the trust only, although you can disclose the names of the trustee or other consumers applying for the credit.

Audit: What You are Looking For

The names and addresses of all applicants are included in the disclosure, or are on a separate page if all of the names and addresses did not fit in the space provided. Those only involved based on their right to rescind are not included in the disclosure.

If credit is extended to a trust established for tax or estate planning purposes, you may accept a Loan Estimate that is provided to the trustee on behalf of the trust. If the Loan Estimate is delivered to the trustee on behalf of the trust (and to no other consumer), it is acceptable to disclose the name and mailing address of the trust only, although the institution can disclose the names of the trustee or other consumers applying for the credit.

Regulatory Text § 1026.37(a)(5)

(5) **Applicants:** The name and mailing address of the consumer(s) applying for the credit, labeled “Applicants.”

Regulatory Commentary

- 1. Multiple consumers.** *If there is more than one consumer applying for the credit, § 1026.37(a)(5) requires disclosure of the name and the mailing address of each consumer to whom the Loan Estimate will be delivered. If the names and mailing addresses of all consumers applying for the credit do not fit in the space allocated on the Loan Estimate, an additional page with that information may be appended to the end of the form. For additional information on permissible changes, see § 1026.37(o)(5) and its commentary.*

CFPB Guide

Applicants include the name(s) and mailing address(es) of the consumer(s) applying for the loan. (§ 1026.37(a)(5)) Use each Applicant's name and mailing address if there are multiple Applicants. The mailing address disclosed must be the U.S. Postal mailing address of the consumer applying for credit. The mailing address cannot be any other type of address, such as an Applicant's email address. An additional page may be added to the Loan Estimate if the space provided is insufficient to list all of the Applicants. (Comment 37(a)(5)-1)

If credit is extended to a trust established for tax or estate planning purposes, the Loan Estimate may be provided to the trustee on behalf of the trust. If the Loan Estimate is delivered to the trustee on behalf of the trust (and to no other consumer), a creditor may opt to disclose the name and mailing address of the trust only, although nothing in the TILA-RESPA Rule prohibits the creditor from additionally disclosing the names of the trustee or other consumers applying for the credit. Guidance on who should receive disclosures when credit is extended to a trust established for tax or estate planning purposes can be found in § 1026.2(a)(22) and § 1026.17(d) and their associated commentary. Information is also available in the Compliance Guide.

[6] Property (page 1, top left) - High

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

The processor must insert all collateral property addresses, including the zip code. If the property does not have an address, insert a sufficient description to identify the property, including the zip code. We do NOT recommend completing a Loan Estimate for a preapproval. However, if you choose to do so, for preapprovals, all potential zip codes are to be inserted. Personal property does not have to be included if it does not fit in the space provided (which is likely to be true). If there are multiple addresses for the real property, an addendum page may be added. Do not add an addendum page only for personal property.

Audit: What You are Looking For

All property addresses, including the zip code, are included. If the property does not have an address, a sufficient description to identify the property is inserted, including the zip code. For preapprovals, all potential zip codes are inserted. Personal property is not included if it does not fit in the space provided. If the addresses of all properties securing the transaction do not fit in the space allocated, an additional page with the real properties' information should be appended to the end of the form.

Regulatory Text § 1026.37(a)(6)

- (6) **Property:** The address including the zip code of the property that secures or will secure the transaction, or if the address is unavailable, the location of such property including a zip code, labeled “**Property.**”

Regulatory Commentary

1. **Alternate property address.** Section 1026.37(a)(6) requires disclosure of the address including the zip code of the property that secures or will secure the transaction. A creditor complies with § 1026.37(a)(6) by disclosing a complete address for purposes of the U.S. Postal Service. If the address is unavailable, a creditor complies with § 1026.37(a)(6) by disclosing the

location of such property including a zip code, which is required in all instances. Location of the property under § 1026.37(a)(6) includes location information, such as a lot number. The disclosure of multiple zip codes is permitted if the consumer is investigating home purchase opportunities in multiple zip codes.

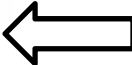
- 2. **Personal property.** Where personal property also secures the credit transaction, a description of that property may be disclosed, at the creditor's option pursuant to § 1026.37(a)(6), if a description fits in the space provided on form H-24 for the disclosure required by § 1026.37(a)(6). An additional page may not be appended to the form to disclose a description of personal property.*
- 3. **Multiple properties.** Where more than one property secures the credit transaction, §1026.37(a)(6) requires disclosure of all properties. If the addresses of all properties securing the transaction do not fit in the space allocated on the Loan Estimate, an additional page with that information with respect to real properties may be appended to the end of the form.*

CFPB Guide

Property is the address of the property (which must include the zip code) that will secure the transaction. (§ 1026.37(a)(6)) If the address of the property is unavailable, use a description of the location of the property, for example a lot number. Always use a zip code. (Comment 37(a)(6)-1) Personal property such as furniture or appliances that also secures the credit transaction may be, but is not required to be included as Property. An additional page may not be appended to the Loan Estimate to disclose a description of personal property. (Comment 37(a)(6)-2)

[7] Sale Price (page 1, top left) - Moderate

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on



Y&A Completion Instruction

The processor must insert the sale price of the collateral property for a purchase, or the estimated value (based on either your estimate or the applicant's estimate) for any other loan type. If the purchase price includes both personal and real property, and the amount for each is not defined, then enter the entire sale price. However, if there are separate purchase prices for the personal and real property, only the price for the real property is entered.

The value for a construction loan would be based on "when complete." Any additional value information should be used to make this field as accurate as possible. The commentary below speaks to many possible scenarios.

Audit: What You are Looking For

The sale price on a purchase is disclosed, or the estimated value – either the institution's estimate or the applicant's estimate – for any other loan type. If it is not a purchase, the legend "Sale Price" changes to "Est. Prop. Value" on the Loan Estimate. If the purchase price includes both personal and real property, and the amount for each is not defined, the entire sale price is entered. If there are separate purchase prices for the personal and real property, the price for the real property is only entered. Refer to the commentary below for additional information.

Regulatory Text § 1026.37(a)(7)

(7) Sale Price:

- (i) For transactions that involve a seller, the contract sale price of the property identified in paragraph (a)(6) of this section, labeled **"Sale Price."**
- (ii) For transactions that do not involve a seller, the estimated value of the property identified in paragraph (a)(6), labeled **"Prop. Value."**

Regulatory Commentary

1. *Estimated property value. In transactions where there is no seller, such as in a refinancing, § 1026.37(a)(7)(ii) requires the creditor to disclose the estimated value of the property identified in § 1026.37(a)(6) based on the best information reasonably available to the creditor at the time the disclosure is provided to the consumer, which may include, at the creditor's option, the estimated value of the improvements to be made on the property in transactions involving construction. The creditor may use the estimate provided by the consumer at application unless it has performed its own estimate of the property value by the time the disclosure is provided to the consumer, in which case the creditor must use its own estimate. If the creditor has obtained any appraisals or valuations of the property for the application at the time the disclosure is issued to the consumer, the value determined by the appraisal or valuation to be used during underwriting for the application is disclosed as the estimated property value. If the creditor has obtained multiple appraisals or valuations and has not yet determined which one will be used during underwriting, it may disclose the value from any appraisal or valuation it reasonably believes it may use in underwriting the transaction. In a transaction that involves a seller, if the sale price is not yet known, the creditor complies with § 1026.37(a)(7) if it discloses the estimated value of the property that it used as the basis for the disclosures in the Loan Estimate.*
2. *Personal property. In transactions involving personal property that is separately valued from real property, only the value of the real property or cooperative unit is disclosed under § 1026.37(a)(7). Where personal property is included in the sale price of the real property or cooperative unit (for example, if the consumer is purchasing the furniture inside the dwelling), however, § 1026.37(a)(7) permits disclosure of the aggregate price without any reduction for the appraised or estimated value of the personal property.*

CFPB Guide

If the loan is a purchase money mortgage loan (i.e., the transaction involves a seller), use the contract sale price for the Property and label it as Sale Price. (§ 1026.37(a)(7)(i)) If personal property is included in the Sale Price of the Property, use that price without any reduction for the appraised or estimated value of the personal property. (Comment 37(a)(7)-2) If the Sale Price is not yet known, disclose the estimated value of the Property, using the label "Sale Price." (Comment 37(a)(7)-1)


For a transaction without a seller, disclose an Appraised Value or an Estimated Value, as applicable, and use the label "Prop. Value." The disclosed value must be based on the best information reasonably available to the creditor at the time that the Loan Estimate is provided to the consumer. (Comment 37(a)(7)-1)

If the creditor has obtained an appraisal of the Property at the time the Loan Estimate is provided to the consumer, disclose the Appraised Value stated in the appraisal that the creditor will use during the underwriting of the loan. If the creditor does not know which appraisal it will use to underwrite the loan at the time the Loan Estimate is provided to the consumer, disclose the value set forth in any appraisal that the creditor reasonably believes it will use in the underwriting.

If the creditor has not obtained an appraisal but has prepared its own estimate of value, use the creditor's estimate of value rather than an estimate of value received from a consumer. If the creditor has not obtained an appraisal or prepared its own estimate of value, it may disclose an estimate of value provided by a consumer. (Comment 37(a)(7)-1)

When disclosing an Appraised Value or an Estimated Value for a construction loan without a seller (i.e., a non-purchase mortgage loan where some or all of the proceeds will finance improvements), the creditor has the option to include the estimated value of improvements to be made on the Property. Alternatively, the creditor may disclose a value that does not include the estimated value of the improvements. (Comment 37(a)(7)-1)

[8] Loan Term (page 1, top right) – Moderate

Loan Estimate				LOAN TERM
DATE ISSUED		PURPOSE		
APPLICANTS		PRODUCT		
		LOAN TYPE	<input type="checkbox"/> Conventional	<input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
PROPERTY		LOAN ID #		
SALE PRICE		RATE LOCK	<input type="checkbox"/> NO <input type="checkbox"/> YES, until	
			<i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on</i>	

Y&A Completion Instruction

Insert the loan term using the appropriate method detailed below:

- Loan term exceeds 24 months – complete with the number of years and number of months, if applicable. Example, 326 months would be “27 years, 2 months.”
- Loan term equals 24 months – complete with “2 years.”
- Loan term equals 12 months – complete with “1 year.”
- Loan term is less than 24 months, but not 12 months – complete with number of months. Example, 18 months would be completed as “18 months.”
- Specific Situations:
 - If the loan term can adjust, use the maximum loan term, based on the appropriate instruction above.
 - For construction only loans, use the construction loan term, based on the appropriate instruction above.
- For construction/permanent loans, either disclose each phase separately or together, depending upon your preference or the software’s limitations, using the appropriate instruction above.

Audit: What You are Looking For

The loan term must be included based on the appropriate instruction. as follows:

- Loan term exceeds 24 months – completed with the number of years and number of months, if applicable. Example, 326 months would be “27 years, 2 months.”
- Loan term equals 24 months – completed with “2 years.”
- Loan term equals 12 months – completed with “1 year.”
- Loan term is less than 24 months, but not 12 months – completed with number of months. Example, 18 months would be completed as “18 months.”
- Specific Situations:
 - If the loan term can adjust, use the maximum loan term, based on the appropriate instruction above.

- For construction only loans, use the construction loan term, based on the appropriate instruction above.
- For construction/permanent loans, either disclose each phase separately or together, depending upon your preference or the software's limitations, using the appropriate instruction above.

Regulatory Text § 1026.37(a)(8)

- (8) **Loan Term:** The term to maturity of the credit transaction, stated in years or months, or both, as applicable, labeled “**Loan Term.**”

Regulatory Commentary

1. *Partial years.*

*i. **Terms to maturity of 24 months or more.** Section 1026.37(a)(8) requires disclosure of the term to maturity in years, or months, or both, as applicable. Where the term exceeds 24 months and equals a whole number of years, a creditor complies with § 1026.37(a)(8) by disclosing the number of years, followed by the designation “**years.**” Where the term exceeds 24 months but does not equal a whole number of years, a creditor complies with § 1026.37(a)(8) by disclosing the term to maturity as the number of years followed by the designation “**yr.**” and the remaining number of months, followed by the designation “**mo.**” For example, if the term to maturity of the transaction is 185 months, the correct disclosure would be “**15 yr. 5 mo.**”*

*ii. **Terms to maturity of less than 24 months.** If the term to maturity is less than 24 months and does not equal a whole number of years, a creditor complies with § 1026.37(a)(8) by disclosing the number of months only, followed by the designation “**mo.**” For example, if the term to maturity of a transaction is six months or 16 months, it would be disclosed as “**6 mo.**” Or “**16 mo.,**” respectively. If the term to maturity is 12 months, however it would be disclosed simply as “**1 year.**”*

2. **Adjustable loan term.** Section 1026.37(a)(8) requires disclosure of the term to maturity of the credit transaction. If the term to maturity is adjustable, i.e., it is not known with certainty at consummation, the creditor complies with § 1026.37(a)(8), if it discloses the possible range of the loan term, including the maximum number of years possible under the terms of the legal obligation. For example, if the loan term depends on the value of interest rate adjustments during the term of the loan, to calculate the maximum loan term, the creditor assumes that the interest rate rises as rapidly as possible after consummation, taking into account the terms of the legal obligation, including any applicable caps on interest rate adjustments and lifetime interest rate cap.
3. **Loan term start date.** See comment app. D-7.i for an explanation of how a creditor discloses the loan term of a multiple-advance loan to finance the construction of a dwelling that may be permanently financed by the same creditor.

CFPB Guide

Loan Term is the term of the debt obligation. (§ 1026.37(a)(8)) Describe the Loan Term as “years” when the Loan Term is in whole years. For example “1 year” or “30 years.” (Comment 37(a)(8)-1.i, -1.ii) For a Loan Term that is more than 24 months but is not whole years, describe using years and months with the abbreviations “yr.” and “mo.,” respectively. For example, a loan term of 185 months is disclosed as “15 yr., 5mo.” For a Loan Term that is less than 24 months and not whole years, use months only with the abbreviation “mo.” For example, “6 mo.” or “16 mo.” (Comment 37(a)(8)-2)

For a construction-permanent loan disclosed as a single transaction, the Loan Term is the total combined term of both phases. If the construction-permanent loan is disclosed as two separate transactions, the Loan Term for the permanent phase is counted from the date interest for the permanent phase’s periodic payment begins to accrue.

[9] Purpose (page 1, top right) - Moderate

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

The processor must insert the loan purpose based on the best information known at the time of completion, using Purchase, Refinance, Construction, or Home Equity, using the definitions in the regulation, which are in the order of a “waterfall.” So the processor must use the first definition that applies to the loan. These definitions do not match the definitions in HMDA. The processor may have to rely on the applicant’s stated purpose.

- If the credit is to finance the acquisition of the property, disclose “Purchase.”
- If the credit is not a purchase, and if the credit will be used to refinance an existing obligation, with the same property as collateral, disclose “Refinance.”
- If the credit is not for purchase or refinance and the credit will be used to finance the initial construction of a dwelling on the property, disclose “Construction.” Do not use this code for renovation loans.
- If the credit is not for any of the above purposes, disclose “Home Equity Loan.”

Audit: What You are Looking For

The loan purpose is listed, using Purchase, Refinance, Construction or Home Equity, based on the best information available at the time of completion. Use a “waterfall” approach - meaning you use the first purpose that is appropriate. The appropriate definitions are:

- If the credit is to finance the acquisition of the property and will be secured by the property, disclose “Purchase.”
- If the credit is not a purchase, and if the credit will be used to refinance an existing obligation, with the same property as collateral, disclose “Refinance.”
- If the credit is not for purchase or refinance and the credit will be used to finance the initial construction of a dwelling on the property, disclose “Construction.” Do not permit this code to be used for renovation loans.
- If the credit is not for any of the above purposes, disclose “Home Equity Loan.”

Regulatory Text § 1026.37(a)(9)

- (9) **Purpose:** The consumer's intended use for the credit, labeled "**Purpose,**" using one of the following terms:
- (i) **Purchase.** If the credit is to finance the acquisition of the property identified in paragraph (a)(6) of this section, the creditor shall disclose that the loan is for a "**Purchase.**"
 - (ii) **Refinance.** If the credit is not for the purpose described in paragraph (a)(9)(i) of this section, and if the credit will be used to refinance an existing obligation, as defined in § 1026.20(a) (but without regard to whether the creditor is the original creditor or a holder or servicer of the original obligation), that is secured by the property identified in paragraph (a)(6) of this section, the creditor shall disclose that the loan is for a "**Refinance.**"
 - (iii) **Construction.** If the credit is not for one of the purposes described in paragraphs (a)(9)(i) or (ii) of this section and the credit will be used to finance the initial construction of a dwelling on the property identified in paragraph (a)(6) of this section, the creditor shall disclose that the loan is for "**Construction.**"
 - (iv) **Home equity loan.** If the credit is not for one of the purposes described in paragraphs (a)(9)(i) through (iii) of this section, the creditor shall disclose that the loan is a "**Home Equity Loan.**"

Regulatory Commentary

1. **General.** *Section 1026.37(a)(9) requires disclosure of the consumer's intended use of the credit. In ascertaining the consumer's intended use, § 1026.37(a)(9) requires the creditor to consider all relevant information known to the creditor at the time of the disclosure. If the purpose is not known, the creditor may rely on the consumer's stated purpose. The following examples illustrate when each of the permissible purposes should be disclosed:*
 - i. **Purchase.** *The consumer intends to use the proceeds from the transaction to purchase the property that will secure the extension of credit. In a purchase transaction with simultaneous subordinate financing, the simultaneous subordinate loan is also disclosed with the purpose "Purchase."*
 - ii. **Refinance.** *The consumer refinances an existing obligation already secured by the consumer's dwelling to change the rate, term, or other loan features and may or may not receive cash from the transaction. For example, in a refinance with no cash provided, the new amount financed does not exceed the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing. Conversely, in a refinance with cash provided, the consumer refinances an existing mortgage obligation and receives money from the transaction that is in addition to the funds used to pay the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing. In such a transaction, the consumer may, for example, use the newly-extended credit to pay*

off the balance of the existing mortgage and other consumer debt, such as a credit card balance.

iii. Construction. Section 1026.37(a)(9)(iii) requires the creditor to disclose that the loan is for construction in transactions where the creditor extends credit to finance only the cost of initial construction (construction-only loan), not renovations to existing dwellings, and in transactions where a multiple advance loan may be permanently financed by the same creditor (construction-permanent loan). In a construction-only loan, the borrower may be required to make interest-only payments during the loan term with the balance commonly due at the end of the construction project. For additional guidance on disclosing construction-permanent loans, see § 1026.17(c)(6)(ii), comments 17(c)(6)-2, -3, and -5, and appendix D to this part.

iv. Home equity loan. The creditor is required to disclose that the credit is for a “home equity loan” if the creditor intends to extend credit for any purpose other than a purchase, refinancing, or construction. This disclosure applies whether the loan is secured by a first or subordinate lien.

2. Refinance coverage. *The disclosure requirements under § 1026.37(a)(9)(ii) apply to credit transactions that meet the definition of a refinancing under § 1026.20(a) but without regard to whether they are made by a creditor, holder, or servicer of the existing obligation. Section 1026.20(a) applies only to refinancings undertaken by the original creditor or a holder or servicer of the original debt. See comment 20(a)-5.*

CFPB Guide

Describe the consumer’s intended use for the loan. (§ 1026.37(a)(9)) Purpose is disclosed using one of four descriptions: Purchase, Refinance, Construction, or Home Equity Loan.

- Purchase is disclosed if the loan will be used to finance the Property’s acquisition. (§ 1026.37(a)(9)(i))
- Refinance is disclosed if the loan will be used for the refinance of an existing obligation that is secured by the Property (even if the creditor is not the holder or servicer of the original obligation). (§ 1026.37(a)(9)(ii))
- Construction is disclosed if the loan will be used to finance the initial construction of a dwelling on the property disclosed on the Loan Estimate.(§ 1026.37(a)(9)(iii))
- Home Equity Loan is disclosed if the loan will be used for any other purpose. (§ 1026.37(a)(9)(iv))

[10] Product (page 1, top right) - Moderate

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

Insert the product type. All product features (should they exist) are described first. The appropriate order of presentation is the time period that the product feature will be in effect, followed by the product feature. This information is followed by the length of the loan product. If there are multiple time periods (for instance a loan that has a fixed rate for 5 years, followed by a 3 year adjustable rate for the next 9 years, followed by an annual adjustable rate for the remainder of the loan term) then only the first two periods are shown.

This is followed by the actual product type. Someone in your institution should have already determined what your product types are. Follow their direction on this. The system can become very confusing, and a careful reading of the regulation and commentary may be useful to assure that your loan origination system is placing things in the right order with the right titles.

Audit: What You are Looking For

The product type is indicated in the correct place. Assure that the product is described in this order:

1. The time period that the first product feature will last (if the loan has a feature).
2. The product feature (if the loan has a feature).
3. The name of the loan product. If there are multiple time periods, only the first two periods are shown.
4. Finally, the actual product type.

There are many potential product types. A careful reading of the regulation and commentary below will assist you in determining whether the product type is accurate.

Regulatory Text § 1026.37(a)(10)

(10) **Product:** A description of the loan product, labeled “**Product.**”

- (i) The description of the **loan product** shall include one of the following terms:

- (A) **Adjustable rate.** If the interest rate may increase after consummation, but the rates that will apply or the periods for which they will apply are not known at consummation, the creditor shall disclose the loan product as an “**Adjustable Rate.**”
- (B) **Step rate.** If the interest rate will change after consummation, and the rates that will apply and the periods for which they will apply are known at consummation, the creditor shall disclose the loan product as a “**Step Rate.**”
- (C) **Fixed rate.** If the loan product is not an Adjustable Rate or a Step Rate, as described in paragraphs (a)(10)(i)(A) and (B) of this section, the creditor shall disclose the loan product as a “**Fixed Rate.**”
- (ii) The description of the loan product shall include the **features** that may change the periodic payment using the following terms, subject to paragraph (a)(10)(iii) of this section, as applicable:
- (A) **Negative amortization.** If the principal balance may increase due to the addition of accrued interest to the principal balance, the creditor shall disclose that the loan product has a “**Negative Amortization**” feature.
- (B) **Interest only.** If one or more regular periodic payments may be applied only to interest accrued and not to the loan principal, the creditor shall disclose that the loan product has an “**Interest Only**” feature.
- (C) **Step payment.** If scheduled variations in regular periodic payment amounts occur that are not caused by changes to the interest rate during the loan term, the creditor shall disclose that the loan product has a “**Step Payment**” feature.
- (D) **Balloon payment.** If the terms of the legal obligation include a “balloon payment,” [final payment more than twice a regular payment], a creditor shall disclose that the loan has a “**Balloon Payment**” feature.
- (E) **Seasonal payment.** If the terms of the legal obligation expressly provide that regular periodic payments are not scheduled between specified unit-periods on a regular basis, the creditor shall disclose that the loan product has a “**Seasonal Payment**” feature.
- (iii) The disclosure of a loan feature under paragraph (a)(10)(ii) of this section shall precede the disclosure of the loan product under paragraph (a)(10)(i) of this section. If a transaction has more than one of the loan features described in paragraph (a)(10)(ii) of this section, the creditor shall disclose only the first applicable feature in the order the features are listed in paragraph (a)(10)(ii) of this section.
- (iv) The disclosures required by paragraphs (a)(10)(i)(A) and (B), and (a)(10)(ii)(A), (B), (C), and (D) of this section must each be preceded by the duration of any introductory rate or payment period, and the first adjustment period, as applicable.

Regulatory Commentary

1. **No features.** If the loan product disclosed pursuant to § 1026.37(a)(10) does not include any of the features described in § 1026.37(a)(10)(ii), only the product type and introductory and first adjustment periods, if applicable, are disclosed. For example:

- i. **Adjustable rate.** When disclosing an adjustable rate product, the disclosure of the loan product must be preceded by the length of the introductory period and the frequency of the first adjustment period thereafter. Thus, for example, if the loan product is an adjustable rate with an introductory rate that is fixed for the first five years of the loan term and then adjusts every three years starting in year six, the disclosure required by § 1026.37(a)(10) is **“5/3 Adjustable Rate.”** If the first adjustment period is not the period for all adjustments under the terms of the legal obligation, the creditor should still disclose the initial adjustment period and should not disclose other adjustment periods. For example, if the loan product is an adjustable rate with an introductory rate that is fixed for the first five years of the loan term and then adjusts every three years starting in year six, and then annually starting in year fifteen, the disclosure required by § 1026.37(a)(10) would still be **“5/3 Adjustable Rate.”**
 - A. **No introductory period.** If the loan product is an adjustable rate with no introductory rate, the creditor should disclose “0” where the introductory rate period would ordinarily be disclosed. For example, if the loan product is an adjustable rate that adjusts every three years with no introductory period, the disclosure required by § 1026.37(a)(10) is **“0/3 Adjustable Rate.”**
 - B. **Introductory period not yet known.** If the loan product is an adjustable rate with an introductory period that is not yet known at the time of delivery of the Loan Estimate, the creditor should disclose the shortest potential introductory period for the particular loan product offered. For example, if the loan product is an adjustable rate with an introductory period that may be between 36 and 48 months and the rate would then adjust every year, the disclosure required by § 1026.37(a)(10) is **“3/1 Adjustable Rate.”**
 - ii. **Step rate.** If the loan product is a step rate with an introductory interest rate that lasts for ten years and adjusts every year thereafter for the next five years, and then adjusts every three years for the next 15 years, the disclosure required by § 1026.37(a)(10) is **“10/1 Step Rate.”** If the loan product is a step rate with no introductory rate, the creditor should disclose “0” where the introductory rate period would ordinarily be disclosed.
 - iii. **Fixed rate.** If the loan product is not an adjustable rate or a step rate, as described in § 1026.37(a)(10)(i)(A) and (B), even if an additional feature described in § 1026.37(a)(10)(ii) may change the consumer’s periodic payment, the disclosure required by § 1026.37(a)(10)(i) is **“Fixed Rate.”**
2. **Additional features.** When disclosing a loan product with at least one of the features described in § 1026.37(a)(10)(ii), § 1026.37(a)(10)(iii) and (iv) require the disclosure of only the first applicable feature in the order of § 1026.37(a)(10)(ii) and that it be preceded by the time period or the length of the introductory period and the frequency of the first adjustment period, as applicable, followed by a description of the loan product and its time period as provided for in § 1026.37(a)(10)(i). For example:
- i. **Negative amortization.** Some loan products, such as “payment option” loans, permit the borrower to make payments that are insufficient to cover all of the interest accrued, and the unpaid interest is added to the principal balance. Where the loan product includes a loan feature that may cause the loan balance to

increase, the disclosure required by § 1026.37(a)(10)(ii)(A) is preceded by the time period that the borrower is permitted to make payments that result in negative amortization (e.g., “2 Year Negative Amortization”), followed by the loan product type. Thus, a fixed rate product with a step-payment feature for the first two years of the legal obligation that may negatively amortize is disclosed as “2 Year Negative Amortization, Fixed Rate.”

- ii. Interest only. When disclosing an “Interest Only” feature, as defined in § 1026.18(s)(7)(iv), the applicable time period must precede the label “Interest Only.” Thus, a fixed rate loan with only interest due for the first five years of the loan term is disclosed as “5 Year Interest Only, Fixed Rate.” If the interest only feature fails to cover the total interest due, then, as required by § 1026.37(a)(10)(iii), the disclosure must reference the negative amortization feature and not the interest only feature (e.g., “5 Year Negative Amortization, Fixed Rate”). See comment app. D-7.ii for an explanation of the disclosure of the time period of an interest only feature for a construction loan or a construction-permanent loan.*
- iii. Step payment. When disclosing a step payment feature (which is sometimes referred to instead as a graduated payment), the period of time at the end of which the scheduled payments will change must precede the label “Step Payment” (e.g., “5 Year Step Payment”) followed by the name of the loan product. Thus, a fixed rate mortgage subject to a 5-year step payment plan is disclosed as a “5 Year Step Payment, Fixed Rate.”*
- iv. Balloon payment. If a loan product includes a “balloon payment,” as that term is defined in § 1026.37(b)(5), the disclosure of the balloon payment feature, including the year the payment is due, precedes the disclosure of the loan product. Thus, if the loan product is a step rate with an introductory rate that lasts for three years and adjusts each year thereafter until the balloon payment is due in the seventh year of the loan term, the disclosure required is “Year 7 Balloon Payment, 3/1 Step Rate.” If the loan product includes more than one balloon payment, only the earliest year that a balloon payment is due shall be disclosed.*
- v. Seasonal payment. If a loan product includes a seasonal payment feature, § 1026.37(a)(10)(ii)(E) requires that the creditor disclose the feature. The feature is not, however, required to be disclosed with any preceding time period. Disclosure of the label “Seasonal Payment” without any preceding number of years satisfies this requirement.*

3. Periods not in whole years.

- i. Terms of 24 months or more. For product types and features that have introductory periods or adjustment periods that do not equate to a number of whole years, if the period is a number of months that is 24 or greater and does not equate to a whole number of years, § 1026.37(a)(10) requires disclosure of the whole number of years followed by a decimal point with the remaining months rounded to two places. For example, if the loan product is an adjustable rate with an introductory period of 30 months that adjusts every year thereafter, the creditor would be required to disclose “2.5/1 Adjustable Rate.” If the introductory period were 31 months, the required disclosure would be “2.58/1 Adjustable Rate.”*

- ii. **Terms of less than 24 months.** For product types and features that have introductory periods or adjustment periods that do not equate to a number of whole years, if the period is less than 24 months, § 1026.37(a)(10) requires disclosure of the number of months, followed by the designation “mo.” For example, if the product type is an adjustable rate with an 18-month introductory period that adjusts every 18 months starting in the 19th month, the required disclosure would be **“18 mo./18mo. Adjustable Rate.”**
- iii. **Adjustments more frequent than monthly.** For adjustment periods that change more frequently than monthly, § 1026.37(a)(10) requires disclosure of the applicable unit-period, such as daily, weekly, or bi-weekly. For example, for an adjustable rate construction loan with no introductory fixed rate period where the interest rate adjusts every seven days, the disclosure required by § 1026.37(a)(10) is **“0/Weekly Adjustable Rate.”**

CFPB Guide

Provide a description of the loan. You are required to include two pieces of information in this disclosure:

The first piece of information is any payment feature that may change the periodic payment, which includes Negative Amortization, Interest Only, Step Payment, Balloon Payment, or Seasonal Payment. (§ 1026.37(a)(10)(ii)) Additionally, the duration of the relevant payment feature must be disclosed with a Negative Amortization, Interest Only, Step Payment, or Balloon Payment. (§ 1026.37(a)(10)(iv)) For example, a payment feature where there is a five-year period during which the payments cover only interest, and are not applied to the principal balance, would be disclosed as a 5 Year Interest Only for the payment feature.

- Negative Amortization is when the principal balance of the loan may increase due to the addition of accrued interest to the principal balance.
- Interest Only is when one or more regular periodic payments may be applied only to interest accrued and not to the principal of the loan.
- Step Payment is when the scheduled variations in regular periodic payment amounts occur that are not caused by changes to the interest rate during the loan term.
- Balloon Payment is when the terms of the legal obligation include a payment that is more than two times that of a regular periodic payment.
- Seasonal Payment is when the terms of the legal obligation expressly provide that regular periodic payments are not scheduled between specified unit-periods on a regular basis. For example, a “teacher” loan that does not require monthly payments during summer months has a Seasonal Payment.

If the loan can be described with more than one of these descriptions, only the first applicable feature is disclosed. (§ 1026.37(a)(10)(iii)) For example, a loan that would result in both Negative Amortization and a Balloon Payment would only disclose Negative Amortization as part of Product.

The second piece of information disclosed is whether the loan uses an Adjustable Rate, Step Rate, or Fixed Rate to determine the interest rate applied to the principal balance. (§ 1026.37(a)(10)(i))

- An interest rate is an Adjustable Rate if the interest rate may increase after consummation, but the rates that will apply or the periods for which they will apply are not known at consummation. (§ 1026.37(a)(10)(i)(A))
 - Each description must be preceded by the duration of any introductory rate or payment period, and the first adjustment period, as applicable. (§ 1026.37(a)(10)(iv)) For example, a product with an introductory rate that is fixed for the first five years and adjusts every three years starting in year 6 is a 5/3 Adjustable Rate.
 - When there is no introductory period for an Adjustable Rate, disclose “0.” (Comment 37(a)(10)-1.i.A) For example, a product with no introductory rate that adjusts every year after consummation is a 0/1 Adjustable Rate.
- An interest rate is a Step Rate if the interest rate will change after consummation and the rates that will apply and the periods for which they apply are known at consummation. (§ 1026.37(a)(10)(i)(B))
 - Each description must be preceded by the duration of any introductory rate or payment period, and the first adjustment period, as applicable. (§ 1026.37(a)(10)(iv)) For example, a product with a step rate that lasts for ten years, adjusts every year for five years, and then adjusts every three years for the next 15 years is a 10/1 Step Rate. (Comment 37(a)(10)-1.ii)
 - When there is no introductory rate for a Step Rate, disclose “0” and then the applicable time period until the first adjustment. (Comment 37(a)(10)-1.ii)
- An interest rate is a Fixed Rate if the interest rate is not an Adjustable Rate or Step Rate. (§ 1026.37(a)(10)(i)(C))
- If the loan product consists of a combination of product types, only one product type should be used. Section 1026.37(a)(10) does not provide for a combination of product types and requires the creditor to choose one, and only one, type.

For example:

- If a loan has a Step Rate for a set period of time followed by an Adjustable Rate for the remaining term, only the Adjustable Rate is disclosed. Here, there will be periods of the loan where the rate is not known at consummation, and, as a result, the product cannot be disclosed as Step Rate.
- If a loan has a Fixed Rate for a set period of time followed by an Adjustable Rate for the remaining term, only the Adjustable Rate is disclosed. Here, there will be periods where an Adjustable Rate applies, and as a result, it would not meet the requirements of a Fixed Rate disclosure.

Sections 14.7 and 14.8 of the Compliance Guide include more information about how to disclose Product types for construction loans

The following are examples of Product with both pieces of information included:

- Year 7 Balloon Payment, 3/1 Step Rate: a step rate with an introductory interest rate that lasts for three years and adjusts each year thereafter until a balloon payment is due in the seventh year of the loan term.

- 2 Year Negative Amortization, Fixed Rate: a fixed rate product with a step-payment feature for the first two years of the legal obligation that may negatively amortize.

When the time periods disclosed in Product are not in whole years, for time periods of 24 months or more, disclose the applicable fraction of a year by use of decimals rounded to two places. For time periods of 24 months or less, disclose the number of months with the abbreviation “mo.” (Comment 37(a)(10)-3) For example:

- An Adjustable Rate Product with an introductory interest rate for 31 months that adjusts every year thereafter is a 2.58/1 Adjustable Rate.
- An Adjustable Rate Product with an introductory interest rate for 18 months that adjusts every 18 months thereafter is an 18 mo./18 mo. Adjustable Rate.

[11] Loan Type (page 1, top right) - Low

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
PROPERTY	LOAN ID #
SALE PRICE	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

The processor should indicate the loan type. There are four choices. These choices are: conventional, FHA, VA, and Other. If the processor chooses “Other,” the processor must include additional information regarding the loan type. This disclosure is completed based on the best information available at the time of the Loan Estimate.

Audit: What You are Looking For

Determine if the correct loan type was inserted. There are four choices. The choices are the same as those that appeared on the old HUD-1: Conventional, FHA, VA and Other. “Other” includes any loan not covered by the other three definitions. If “Other” is used, assure that the additional description line is properly completed.

Regulatory Text § 1026.37(a)(11)

(11) **Loan Type:** The type of loan, labeled “**Loan Type**,” offered to the consumer using one of the following terms, as applicable:

- (i) **Conventional.** If the loan is not guaranteed or insured by a Federal or State government agency, the creditor shall disclose that the loan is a “**Conventional**.”
- (ii) **FHA.** If the loan is insured by the Federal Housing Administration, the creditor shall disclose that the loan is an “**FHA**.”
- (iii) **VA.** If the loan is guaranteed by the U.S. Department of Veterans Affairs, the creditor shall disclose that the loan is a “**VA**.”
- (iv) **Other.** For federally-insured or guaranteed loans other than those described in paragraphs (a)(11)(ii) and (iii) of this section, and for loans insured or guaranteed by a State agency, the creditor shall disclose the loan type as “**Other**,” and provide a brief description of the loan type.

Regulatory Commentary

1. **Other.** *If the transaction is a type other than a conventional, FHA, or VA loan, § 1026.37(a)(11)(iv) requires the creditor to disclose the loan type as “Other” and provide a name or brief description of the loan type. For example, a loan that is guaranteed or funded by the Federal government under the Rural Housing Service (RHS) of the U.S. Department of Agriculture is required to be disclosed under the subcategory “Other.” Section 1026.37(a)(11)(iv) requires a brief description of the loan type (e.g., “RHS”). A loan that is insured or guaranteed by a State agency must also be disclosed as “Other.”*

CFPB Guide

Loan Type is the type of the loan, such as Conventional or FHA. For Loan Type, disclose:

- Conventional if the loan is not guaranteed or insured by a Federal or State government agency,
- FHA if the loan is insured by the Federal Housing Administration,
- VA if the loan is guaranteed by the U.S. Department of Veterans Affairs, and
- Other with a brief description if the loan is insured or guaranteed by another Federal or a State agency. (§ 1026.37(a)(11))

[12] Loan Identification Number (Loan ID #) (page 1, top right) - Low

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	PURPOSE
	PRODUCT
	LOAN TYPE <input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
	LOAN ID #
PROPERTY	RATE LOCK <input type="checkbox"/> NO <input type="checkbox"/> YES, until
SALE PRICE	Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Y&A Completion Instruction

Insert the loan ID. This can be any combination of letters and numbers. The purpose of the ID is to permit the applicant/borrower to compare the Loan ID number on the Loan Estimate and the Loan ID number on the Closing Disclosure to assure them that these two documents reference the same loan. It could be, but most of the time will not be, this loan number.

Audit: What You are Looking For

Assure that the loan ID is inserted. This can be any combination of letters numbers. As long as the processor has inserted some type of Loan ID with letters and numbers, the audit answer will be “correct.”

Regulatory Text § 1026.37(a)(12)

(12) **Loan identification number (Loan ID #).** A number that may be used by the creditor, consumer, and other parties to identify the transaction, labeled “**Loan ID #.**”

Regulatory Commentary

1. **Unique identifier.** Section 1026.37(a)(12) requires that the creditor disclose a loan identification number that may be used by the creditor, consumer, and other parties to identify the transaction, labeled as “**Loan ID #.**” The loan identification number is determined by the creditor, which number may contain any alpha-numeric characters. Because the number must allow for the identification of the particular credit transaction under § 1026.37(a)(12), a creditor must use a unique loan identification number, i.e., the creditor may not use the same loan identification number for different, but related, loan transactions (such as different loans to the same borrower). Where a creditor issues a revised Loan Estimate for a transaction, the loan identification number must be sufficient to enable identification of the transaction pursuant to § 1026.37(a)(12).

CFPB Guide

Loan ID # is the creditor's loan identification number that may be used by a creditor, consumer, and other parties to identify the transaction. (§ 1026.37(a)(12)) The Loan ID # may contain alpha-numeric characters and must be unique to the particular transaction. The same Loan ID # may not be used for different, but related, loan transactions (such as different loans to the same borrower). When a revised Loan Estimate is issued, the Loan ID # must be sufficient for the purpose of identifying the transaction associated with the initial Loan Estimate. (Comment 37(a)(12)-1)

When the Loan Estimate is completed by a mortgage broker:

- If the creditor is known, the Loan ID # must be completed. (Comment 37(a)(12)-1) The creditor can outsource the generation and assignment of the Loan ID # to the mortgage broker or the creditor can provide the Loan ID # in advance of the disclosures for inclusion.
- If the creditor is unknown and the Loan ID # is not reasonably available, the mortgage broker may leave that disclosure blank. (Comment 37-1)

[13] Rate Lock (page 1, top right) - High

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY
SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE ☐ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID #
RATE LOCK ☐ NO ☐ YES, until

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

10 day rule date, time, and time zone. Omit after intent given.

Y&A Completion Instruction

The processor must insert the rate lock information. If the interest rate is floating, the processor should mark the “no” box. If the rate is locked, the processor should mark the “yes” box, and then insert the date, time, and time zone (based on the expiration date for daylight or standard time) when the rate lock will expire. The preamble to the regulation indicates that there must be a signed agreement in order to consider the rate locked, although the regulation does not make that statement. If there is any question regarding whether the rate was locked appropriately, consult with your compliance staff.

The applicant has 10 business days to inform the institution of their intent to proceed with the loan application. For most all institutions, the business day definition used does not include weekends or holidays. If the 10 business day period has passed and the applicant has not indicated an intent to proceed, then the institution is not legally bound to the amounts quoted on the Loan Estimate, and may redisclose. The 10 day intent to proceed date is completed with a date, time, and time zone. Time zone here will also be determined based on whether your bank will be on daylight or standard time as of the expiration date.

If the Loan Estimate being completed is a redisclosure for any reason, the 10 day intent to proceed date does not change from the date on the original Loan Estimate, unless the applicant has given an intent to proceed. If they have given an intent to proceed, then the date, time. And time zone for intent to proceed is removed from the document, as it is no longer needed.

Audit: What You are Looking For

Determine whether the rate lock information is properly completed. If the interest rate is floating, the “no” box is marked. If the rate is locked, the “yes” box is marked, and date, time and time zone (using the time zone in effect as of the expiration date) at which the rate lock will expire are inserted.

The preamble states that the institution cannot mark the rate as locked unless there is a signed rate lock agreement. The regulation makes no reference to the rate lock agreement.

The intent to proceed date must also be properly completed under this instruction, with a proper date, time and time zone. The date is calculated as 10 business days from the original Loan Estimate (generally not including the weekends and legal holidays). The intent to proceed date must be removed on subsequent Loan Estimates if the applicant has already given an intent to proceed.

Regulatory Text § 1026.37(a)(13)

(13) **Rate lock.** A statement of whether the interest rate disclosed pursuant to paragraph (b)(2) of this section is locked for a specific period of time, labeled “**Rate Lock.**”

- (i) For transactions in which the interest rate is locked for a specific period of time, the creditor must provide the date and time (including the applicable time zone) when that period ends.
- (ii) The “**Rate Lock**” statement required by this paragraph (a)(13) shall be accompanied by a statement that the interest rate, any points, and any lender credits may change unless the interest rate has been locked, and the date and time (including the applicable time zone) at which estimated closing costs expire.

Regulatory Commentary

1. **Interest rate.** *For purposes of § 1026.37(a)(13), the interest rate is locked for a specific period of time if the creditor has agreed to extend credit to the consumer at a given rate, subject to contingencies that are described in any rate lock agreement between the creditor and consumer.*
2. **Expiration date.** *The disclosure required by § 1026.37(a)(13)(ii) related to estimated closing costs is required regardless of whether the interest rate is locked for a specific period of time or whether the terms and costs are otherwise accepted or extended. If the consumer fails to indicate an intent to proceed with the transaction within 10 business days after the disclosures were originally provided under § 1026.19(e)(1)(iii) (or within any longer time period established by the creditor), then, for determining good faith under § 1026.19(e)(3)(i) and (ii), a creditor may use a revised estimate of a charge instead of the amount originally disclosed under § 1026.19(e)(1)(i). See comment 19(e)(3)(iv)(E)-2.*
3. **Time zone.** *The disclosure required by § 1026.37(a)(13) requires the applicable time zone for all times provided, as determined by the creditor. For example, if the creditor is located in New York and determines that the Loan Estimate will expire at 5:00 p.m. in the time zone applicable to its location, while standard time is in effect, the disclosure must include a reference to the Eastern time zone (i.e., 5:00 p.m. EST).*
4. **Revised disclosures.** *Once the consumer indicates an intent to proceed within the time specified by the creditor under § 1026.37(a)(13)(ii), the date and time at which estimated closing costs expire are left blank on any subsequent revised disclosures.*

The creditor may extend the period of availability to expire beyond the time disclosed under § 1026.37(a)(13)(ii). If the consumer indicates an intent to proceed within that longer time period, the date and time at which estimated closing costs expire are left blank on subsequent revised disclosures, if any. See comment 19(e)(3)(iv)-5.

CFPB Guide

Indicate the rate is locked with Yes, indicate the rate is not locked with No. (§ 1026.37(a)(13))

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 must be disclosed. (§ 1026.37(a)(13)(i))

The date and time (including the applicable time zone) at which the estimated closing costs expire are disclosed on the Loan Estimate. (§ 1026.37(a)(13)(ii)) However, the date and time are left blank on any revised Loan Estimate provided after a consumer has indicated an intent to proceed with the transaction. (Comment 37(a)(13)-4)

Section 3: Loan Terms

12 CFR § 1026.37(b)

General Language

Y&A Comment

This general commentary reminds the creditor that the terms shown must match the terms of the anticipated obligation, and include all items known at the time of the Loan Estimate's completion.

Regulatory Text § 1026.37(b)

(b) *Loan terms.* A separate table under the heading “Loan Terms” that contains the following information and that satisfies the following requirements:

Regulatory Commentary

1. ***Legal obligation.*** *The disclosures required by § 1026.37 must reflect good faith estimates of the credit terms to which the parties will be legally bound for the transaction. Accordingly, if certain terms of the transaction are known or reasonably available to the creditor, based on information such as the consumer's selection of a product type or other information in the consumer's application, § 1026.37 requires the creditor to disclose those credit terms. For example, if the consumer selects a product type with a prepayment penalty, § 1026.37(b)(4) requires disclosure of the maximum amount of the prepayment penalty and period in which the prepayment penalty may be charged as known to the creditor at the time the disclosures are provided.*

CFPB Guide

Disclose in the Loan Terms table:

- Loan Amount (if the amount is in whole dollars, do not disclose cents) (§ 1026.37(o)(4)),
- Initial Interest Rate,
- Initial Monthly Principal & Interest amount,
- Any adjustments to these amounts after consummation,
- Whether the loan includes a Prepayment Penalty, and
- Whether the loan includes a Balloon Payment. (§ 1026.37(b))

[14] Loan Amount (page 1, Loan Terms section) - High

Loan Terms		Can this amount increase after closing?
Loan Amount		Loan Amount will appear here
Interest Rate		
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>		
		Does the loan have these features?
Prepayment Penalty		
Balloon Payment		

Y&A Completion Instruction

The processor should enter the anticipated loan amount. If the loan amount changes, and it increases the fees being charged to the consumer, then a re-disclosure is likely. However, if the loan amount change will not create a tolerance issue or an APR error, then there would not necessarily be a need for a re-disclosure, even though the loan amount changed.

Audit: What You are Looking For

The anticipated loan amount is appropriately entered. If the loan amount changed and it impacts the fees being charged to the consumer, re-disclosure is likely. If the loan amount change did not create a tolerance issue or an APR error, there probably will not be a re-disclosure.

Regulatory Text § 1026.37(b)(1)

(1) Loan amount. The total amount the consumer will borrow, as reflected by the face amount of the note, labeled “Loan Amount.”

Regulatory Commentary

None.

CFPB Guide

None.

[15] Interest Rate (page 1, Loan Terms section) - High

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate ←	Initial Interest Rate will appear here
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	
	Does the loan have these features?
Prepayment Penalty	
Balloon Payment	

Y&A Completion Instruction

The processor should insert the interest rate, or the current interest rate for the loan type, if the applicant has chosen to allow the interest rate to float. For an ARM loan, insert the initial interest rate if known. If that rate has not yet been determined, insert the fully indexed ARM rate. For a fixed rate loan, use the anticipated initial rate.

Audit: What You are Looking For

The anticipated interest rate was inserted, or the current interest rate for the loan type, if the interest rate is floating. For an ARM loan, the initial ARM interest rate was inserted. If that rate has not yet been determined, the fully indexed rate is inserted.

Regulatory Text § 1026.37(b)(2)

- (2) **Interest rate.** The interest rate that will be applicable to the transaction at consummation, labeled “**Interest Rate.**” For an adjustable rate transaction, if the interest rate at consummation is not known, the rate disclosed shall be the fully-indexed rate, which, for purposes of this paragraph, means the interest rate calculated using the index value and margin at the time of consummation.

Regulatory Commentary

- 1. Interest rate at consummation not known.** Where the interest rate that will apply at consummation is not known at the time the creditor must deliver the disclosures required by § 1026.19(e), § 1026.37(b)(2) requires disclosure of the fully-indexed rate, defined as the index plus the margin at consummation. Although § 1026.37(b)(2)

refers to the index plus margin “at consummation,” if the index value that will be in effect at consummation is unknown at the time the disclosures are provided under § 1026.19(e)(1)(iii), i.e., within three business days after receipt of a consumer’s application, the fully-indexed rate disclosed under § 1026.37(b)(2) may be based on the index in effect at the time the disclosure is delivered. The index in effect at consummation (or the time the disclosure is delivered under § 1026.19(e)) need not be used if the contract provides for a delay in the implementation of changes in an index value. For example, if the contract specifies that rate changes are based on the index value in effect 45 days before the change date, creditors may use any index value in effect during the 45 days before consummation (or any earlier date of disclosure) in calculating the fully-indexed rate to be disclosed. See comment app. D-7.iii for an explanation of the disclosure of the permanent financing interest rate for a construction-permanent loan.

CFPB Guide

The Interest Rate disclosed is the initial rate at consummation. If the initial **Interest Rate** is **not** known at consummation, the fully-indexed rate is disclosed; a fully-indexed rate is the interest rate calculated using the index value and margin at the time of consummation. (§ 1026.37(b)(2))

The initial principal and interest payment amount also would be calculated using the same fully-indexed rate, if the initial Interest Rate is not known at consummation. (§ 1026.37(b)(3))

[16] Principal and Interest Payment (page 1, Loan Terms section) - High

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate	
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Initial Monthly Payment will appear here </div>
Prepayment Penalty	Does
Balloon Payment	

Y&A Completion Instruction

The processor inserts the anticipated first payment amount here. It may be either the principal and interest payment or the interest only payment. It must include the frequency of the payments (monthly, bi-weekly, etc.) first, then the dollar amount. If the interest rate is not yet known, assume that the interest rate is equal to the fully indexed rate. If the disclosure is for a construction loan with an initial interest only period, the quoted payment can be approximately one half of one month's interest, or a whole month's interest, if your institution has chosen that approach.

Audit: What You are Looking For

Determine the accuracy of this information. This disclosure is the anticipated first payment amount. The frequency of the payment is included – monthly, bi-weekly, etc. – first, then the dollar amount. If the interest rate is not yet known, the payment is based on an assumed interest rate equal to the fully indexed rate. If the initial payment is for a construction loan or the construction period of the construction/permanent loan, then the payment can be either approximately one half of a full interest payment for a fully disbursed construction loan or an interest payment that indicates the loan was fully disbursed. Appendix D to the regulation allows either approach.

Regulatory Text § 1026.37(b)(3)

- (3) **Principal and interest payment.** The initial periodic payment amount that will be due under the terms of the legal obligation, labeled “**Principal & Interest,**” immediately preceded by the

applicable unit-period, and a statement referring to the payment amount that includes any mortgage insurance and escrow payments that is required to be disclosed pursuant to paragraph (c) of this section. If the interest rate at consummation is not known, the amount disclosed shall be calculated using the fully-indexed rate disclosed under paragraph (b)(2) of this section.

Regulatory Commentary

1. ***Frequency of principal and interest payment.*** Pursuant to § 1026.37(o)(5)(i), if the contract provides for a unit-period, as defined in appendix J to this part, of a month, such as a monthly payment schedule, the payment disclosed under § 1026.37(b)(3) should be labeled **“Monthly Principal & Interest.”** If the contract requires bi-weekly payments of principal or interest, the payment should be labeled **“Bi-Weekly Principal & Interest.”** If a creditor voluntarily permits a payment schedule not provided for in the contract, such as an informal principal-reduction arrangement, the disclosure should reflect only the payment frequency provided for in the contract. See § 1026.17(c)(1).
2. ***Initial periodic payment if not known.*** Under § 1026.37(b)(3), the initial periodic payment amount that will be due under the terms of the legal obligation must be disclosed. If the initial periodic payment is not known because it will be based on an interest rate at consummation that is not known at the time the disclosures required by § 1026.19(e) must be provided, for example, if it is based on an external index that may fluctuate before consummation, § 1026.37(b)(3) requires that the disclosure be based on the fully-indexed rate disclosed under § 1026.37(b)(2). See comment 37(b)(2)-1 for guidance regarding calculating the fully-indexed rate.

CFPB Guide

The Interest Rate disclosed is the initial rate at consummation. If the initial **Interest Rate** is **not** known at consummation, the fully-indexed rate is disclosed; a fully-indexed rate is the interest rate calculated using the index value and margin at the time of consummation. (§ 1026.37(b)(2))

The initial principal and interest payment amount also would be calculated using the same fully-indexed rate, if the initial Interest Rate is not known at consummation. (§ 1026.37(b)(3))

[17] Prepayment Penalty (page 1, Loan Terms section) - Moderate

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate	
Monthly Principal & Interest <small>See Provided Payments below for your Estimated Total Monthly Payment</small>	
Prepayment Penalty	
Balloon Payment	

Prepayment Penalty "yes" or "no" will appear here

Y&A Completion Instruction

The processor inserts either a "yes" or "no," based on the anticipated obligation. A prepayment penalty is any amount due during the first three years as a result of an early payoff. It can include a situation in which the consumer must pay a full month's interest even though the payoff of the loan occurs at mid-month. Minimum finance charges and computing a refund of finance charge that is not advantageous to the consumer are also prepayment penalties. A recapture of the institution's fees that were waived on the condition that the loan did not pay off early is a prepayment penalty.

Prepayment penalties do not include a required repayment of a bona fide waived charge, such as an appraisal fee (again, during the first three years).

Audit: What You are Looking For

Determine whether, based on the anticipated obligation, the "yes" or "no" regarding prepayment penalty question is properly answered. A prepayment penalty is more fully described in the regulatory text and commentary below. A prepayment penalty can only be imposed during the first three years for an early payoff, and does not include a requirement to pay bona fide waived charges within the first three years. Whether the applicant will ever have to pay the prepayment penalty is not material.

Regulatory Text § 1026.37(b)(4)

(4) **Prepayment penalty.** A statement of whether the transaction includes a prepayment penalty, labeled "**Prepayment Penalty.**" For purposes of this paragraph (b)(4), "prepayment

penalty” means a charge imposed for paying all or part of a transaction’s principal before the date on which the principal is due, other than a waived, bona fide third-party charge that the creditor imposes if the consumer prepays all of the transaction’s principal sooner than 36 months after consummation.

Regulatory Commentary

1. **Transaction includes a prepayment penalty.** Section 1026.37(b)(4) requires disclosure of a statement of whether the transaction includes a prepayment penalty. If the transaction includes a prepayment penalty, § 1026.37(b)(7) sets forth the information that must be disclosed under § 1026.37(b)(4) (i.e., the maximum amount of the prepayment penalty that may be imposed under the terms of the loan contract and the date on which the penalty will no longer be imposed). For an example of such disclosure, see form H-24 of appendix H to this part. The disclosure under § 1026.37(b)(4) applies to transactions where the terms of the loan contract provide for a prepayment penalty, even though the creditor does not know at the time of the disclosure whether the consumer will, in fact, make a payment to the creditor that would cause imposition of the penalty. For example, if the monthly interest accrual amortization method described in comment 37(b)(4)-2.i is used such that interest is assessed on the balance for a full month even if the consumer makes a full prepayment before the end of the month, the transaction includes a prepayment penalty that must be disclosed pursuant to § 1026.37(b)(4).
2. **Examples of prepayment penalties.** For purposes of § 1026.37(b)(4), the following are examples of prepayment penalties:
 - i. A charge determined by treating the loan balance as outstanding for a period of time after prepayment in full and applying the interest rate to such “balance,” even if the charge results from interest accrual amortization used for other payments in the transaction under the terms of the loan contract. “Interest accrual amortization” refers to the method by which the amount of interest due for each period (e.g., month) in a transaction’s term is determined. For example, “monthly interest accrual amortization” treats each payment as made on the scheduled, monthly due date even if it is actually paid early or late (until the expiration of any grace period). Thus, under the terms of a loan contract providing for monthly interest accrual amortization, if the amount of interest due on May 1 for the preceding month of April is \$3,000, the loan contract will require payment of \$3,000 in interest for the month of April whether the payment is made on April 20, on May 1, or on May 10. In this example, if the consumer prepays the loan in full on April 20 and if the accrued interest as of that date is \$2,000, then assessment of a charge of \$3,000 constitutes a prepayment penalty of \$1,000 because the amount of interest actually earned through April 20 is only \$2,000.
 - ii. A fee, such as an origination or other loan closing cost, that is waived by the creditor on the condition that the consumer does not prepay the loan. See comment 37(b)(4)-3.iii below for additional guidance regarding waived bona fide third-party charges imposed by the creditor if the consumer pays all of a covered transaction’s principal before the date on which the principal is due sooner than 36 months after consummation.
 - iii. A minimum finance charge in a simple interest transaction.
 - iv. Computing a refund of unearned interest by a method that is less favorable to the consumer than the actuarial method, as defined by section 933(d) of the Housing and Community

Development Act of 1992, 15 U.S.C. 1615(d). For purposes of computing a refund of unearned interest, if using the actuarial method defined by applicable State law results in a refund that is greater than the refund calculated by using the method described in section 933(d) of the Housing and Community Development Act of 1992, creditors should use the State law definition in determining if a refund is a prepayment penalty.

3. ***Fees that are not prepayment penalties.*** *For purposes of § 1026.37(b)(4), fees that are not prepayment penalties include, for example:*
 - i. *Fees imposed for preparing and providing documents when a loan is paid in full, if such fees are imposed whether or not the loan is prepaid. Examples include a loan payoff statement, a reconveyance document, or another document releasing the creditor's security interest in the dwelling that secures the loan.*
 - ii. *Loan guarantee fees.*
 - iii. *A waived bona fide third-party charge imposed by the creditor if the consumer pays all of a covered transaction's principal before the date on which the principal is due sooner than 36 months after consummation. For example, assume that at consummation, the creditor waives \$3,000 in closing costs to cover bona fide third-party charges but the terms of the loan agreement provide that the creditor may recoup the \$3,000 in waived charges if the consumer repays the entire loan balance sooner than 36 months after consummation. The \$3,000 charge is not a prepayment penalty. In contrast, for example, assume that at consummation, the creditor waives \$3,000 in closing costs to cover bona fide third-party charges but the terms of the loan agreement provide that the creditor may recoup \$4,500 in part to recoup waived charges, if the consumer repays the entire loan balance sooner than 36 months after consummation. The \$3,000 that the creditor may impose to cover the waived bona fide third-party charges is not a prepayment penalty, but the additional \$1,500 charge is a prepayment penalty and must be disclosed pursuant to § 1026.37(b)(4).*
4. ***Rebate of finance charge.*** *For an obligation that includes a finance charge that does not take into account each reduction in the principal balance of the obligation, the disclosure under § 1026.37(b)(4) reflects whether or not the consumer is entitled to a rebate of any finance charge if the obligation is prepaid in full or part. Finance charges that do not take into account each reduction in the principal balance of an obligation may include precomputed finance charges. If any portion of an unearned precomputed finance charge will not be provided as a rebate upon full prepayment, the disclosure required by § 1026.37(b)(4) will be an affirmative answer, indicate the maximum amount of such precomputed finance charge that may not be provided as a rebate to the consumer upon any prepayment, and state when the period during which a full rebate would not be provided terminates, as required by § 1026.37(b)(7). If, instead, there will be a full rebate of the precomputed finance charge and no other prepayment penalty imposed on the consumer, to comply with the requirements of § 1026.37(b)(4) and (7), the creditor states a negative answer only. If the transaction involves both a precomputed finance charge and a finance charge computed by application of a rate to an unpaid balance, disclosure about both the entitlement to any rebate of the finance charge upon prepayment and any other prepayment penalty are made as one disclosure under § 1026.37(b)(4), stating one affirmative or negative answer and an aggregated amount and time period for the information required by § 1026.37(b)(7). For example, if in such a transaction, a portion of the precomputed finance charge will not be provided as a rebate and the loan contract also provides for a prepayment penalty based on the amount prepaid, both disclosures are made under § 1026.37(b)(4) as one*

aggregate amount, stating the maximum amount and time period under § 1026.37(b)(7). If the transaction instead provides a rebate of the precomputed finance charge upon prepayment, but imposes a prepayment penalty based on the amount prepaid, to comply with § 1026.37(b)(4), the creditor states an affirmative answer and the information about the prepayment penalty, as required by § 1026.37(b)(7). For further guidance and examples of these types of charges, see comment 18(k)(2)-1. For analogous guidance, see comment 18(k)-2. For further guidance on prepaid finance charges generally, see comment 18(k)-3.

CFPB Guide

A Prepayment Penalty is a charge imposed for paying all or part of a transaction's principal before the date on which the principal is due. It does not include a waived third-party charge that the creditor imposes if the consumer prepays the loan's entire principal sooner than 36 months after closing. (§ 1026.37(b)(4))

A Balloon Payment is a payment that is more than two times a regular periodic payment. (§ 1026.37(b)(5))

Under the subheading Does the loan have these features?, when the loan has a Prepayment Penalty or a Balloon Payment disclose Yes, as applicable. (§ 1026.37(b)(4) and (5)) When the answer is Yes to either, also disclose, as applicable:

- The maximum amount of the Prepayment Penalty and the date when the period during which the penalty may be imposed terminates. For example, As high as \$3,240 if you pay off the loan in the first two years. (§ 1026.37(b)(7)(i))
- The maximum amount of the Balloon Payment and the due date of such payment. For example, You will have to pay \$149,263 at the end of year 7. (§ 1026.37(b)(7)(ii))

[18] Balloon Payment (page 1, Loan Terms section) - High

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate	
Monthly Principal & Interest <small>See Projected Payments below for your Estimate</small>	
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Balloon Payment “yes” or “no” will appear here </div>	
Prepayment Penalty	
Balloon Payment	

Y&A Completion Instruction

Indicate whether the loan will have a balloon payment. A balloon payment is any final payment that is more than 200% of a regular payment. You must use the smallest payment of principal and interest that will be paid during the life of the loan to calculate whether the final payment is more than 200% of the regular payment. Excess payments on a negative amortization loan or odd cents will not create a balloon payment.

Audit: What You are Looking For

Determine whether, based on the anticipated obligation, the balloon loan question is answered correctly. The loan has a balloon if the final payment is more than 200% of the smallest payment of principal and interest that will be paid during the life of the loan. To determine if this question was answered correctly, a review of the Projected Payment section of the Loan Estimate will likely allow the auditor to make this determination quickly. Excess payments on a negative amortization loan or odd cents will not create a balloon payment.

Regulatory Text § 1026.37(b)(5)

- (5) Balloon payment.** A statement of whether the transaction includes a balloon payment, labeled “**Balloon Payment.**” For purposes of this paragraph (b)(5), “balloon payment” means a payment that is more than two times a regular periodic payment. “Balloon payment” includes the payment or payments under a transaction that requires only one or two payments during the loan term.

Regulatory Commentary

- 1. Regular periodic payment.** *If a payment is not itself a regular periodic payment and is more than two times any one regular periodic payment during the loan term, then it is disclosed as a balloon payment under § 1026.37(b)(5). The regular periodic payments used to determine whether a payment is a balloon payment under § 1026.37(b)(5) are the payments of principal and interest (or interest only, depending on the loan features) specified under the terms of the loan contract that are due from the consumer for two or more unit-periods in succession. All regular periodic payments during the loan term are used to determine whether a particular payment is a balloon payment, regardless of whether the regular periodic payments have changed during the loan term due to rate adjustments or other payment changes permitted or required under the loan contract.*
- i. For example, assume that, under a 15-year step rate mortgage, the loan contract provides for scheduled monthly payments of \$300 each during the years one through three and scheduled monthly payments of \$700 each during years four through 15. If an irregular payment of \$1,000 is scheduled during the final month of year 15, that payment is disclosed as a balloon payment under § 1026.37(b)(5), because it is more than two times the regular periodic payment amount of \$300 during years one through three. This is the case even though the irregular payment is not more than two times the regular periodic payment of \$700 per month during years four through fifteen. The \$700 monthly payments during years four through fifteen are not balloon payments even though they are more than two times the regular periodic payments during years one through three, because they are regular periodic payments.*
 - ii. If the loan has an adjustable rate under which the regular periodic payments may increase after consummation, but the amounts of such payment increases (if any) are unknown at the time of consummation, then the regular periodic payments are based on the fully-indexed rate, except as otherwise determined by any premium or discounted rates, the application of any interest rate adjustment caps, or any other known, scheduled rates under the terms specified in the loan contract. For analogous guidance, see comments 17(c)(1)-8 and -10. Similarly, if a loan has an adjustable interest rate which does not adjust the regular periodic payment but would, if the rate increased, increase only the final payment, the amount of the final payment for purposes of the balloon payment determination is based on the fully-indexed rate, except as otherwise determined by any premium or discounted rate caps, or any other known, scheduled rates under the terms specified in the loan contract. For example, assume that, under a 30-year adjustable rate mortgage, (1) the loan contract requires monthly payments of \$300 during years one through five, (2) the loan contract permits interest rate increases every three years starting in the sixth year up to the fully-indexed rate, subject to caps on interest rate adjustments specified in the loan contract, (3) based on the application of the interest rate adjustment caps, the interest rate may increase to the fully-indexed rate starting in year nine, and (4) the monthly payment based on the fully-indexed rate is \$700. The regular periodic payments during years one through five are \$300 per month, because they are known and scheduled. The regular periodic payments during years six through eight are up to \$700 per month, based on the fully-indexed rate but subject to the application of interest rate adjustment caps specified under the loan contract. The regular periodic payments during years nine through thirty are \$700, based on the fully-indexed rate. Therefore, if an irregular payment of \$1,000 is scheduled during the final month of year 30, that payment is disclosed as a balloon payment under § 1026.37(b)(5),*

because it is more than two times the regular periodic payment amount of \$300 during years one through five. This is the case even though the irregular payment is not more than two times the regular periodic payment during years nine through thirty (i.e., based on the fully-indexed rate). However, the regular periodic payments during years six through thirty themselves are not balloon payments, even though they may be more than two times the regular periodic payments during years one through five.

- iii. For a loan with a negative amortization feature, the regular periodic payment does not take into account the possibility that the consumer may exercise an option to make a payment greater than the scheduled periodic payment specified under the terms of the loan contract, if any.*
- iv. A final payment that differs from other regular periodic payments because of rounding to account for payment amounts including fractions of cents is still a regular periodic payment and need not be disclosed as a balloon payment under § 1026.37(b)(5).*
- v. The disclosure of balloon payments in the “Projected Payments” table under § 1026.37(c) is governed by that section and its commentary, rather than § 1026.37(b)(5), except that the determination, as a threshold matter, of whether a payment disclosed under § 1026.37(c) is a balloon payment is made in accordance with § 1026.37(b)(5) and its commentary.*

- 2. Single and double payment transactions.** *The definition of a “balloon payment” under § 1026.37(b)(5) includes the payments under transactions that require only one or two payments during the loan term, even though a single payment transaction does not require regular periodic payments, and a transaction with only two scheduled payments during the loan term may not require regular periodic payments.*

CFPB Guide

A Prepayment Penalty is a charge imposed for paying all or part of a transaction’s principal before the date on which the principal is due. It does not include a waived third-party charge that the creditor imposes if the consumer prepays the loan’s entire principal sooner than 36 months after closing. (§ 1026.37(b)(4))

A Balloon Payment is a payment that is more than two times a regular periodic payment. (§ 1026.37(b)(5))

Under the subheading Does the loan have these features?, when the loan has a Prepayment Penalty or a Balloon Payment disclose Yes, as applicable. (§ 1026.37(b)(4) and (5)) When the answer is Yes to either, also disclose, as applicable:

- The maximum amount of the Prepayment Penalty and the date when the period during which the penalty may be imposed terminates. For example, As high as \$3,240 if you pay off the loan in the first two years. (§ 1026.37(b)(7)(i))
- The maximum amount of the Balloon Payment and the due date of such payment. For example, You will have to pay \$149,263 at the end of year 7. (§ 1026.37(b)(7)(ii))

19] Adjustments after Consummation (page 1, Loan Terms section) – Moderate

Information regarding increases in the loan amount appear here

Loan Terms	
Loan Amount	Can this amount increase after closing?
Interest Rate	Information regarding increases in the interest rate appear here
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	
Prepayment Penalty	Does the loan have these features?
Balloon Payment	Information regarding increases in the principal and interest payments appear here

Y&A Completion Instruction

The Loan Estimate must indicate whether the loan amount, interest rate, and principal and interest payment amounts can increase. If the answer to the question in any category is “no,” the processor does not have to include any additional information in that particular category. If the answer is “yes,” additional information must be provided, including details regarding any limits and timing issues that are anticipated to be present in the note.

For the loan amount, the processor must disclose the maximum amount that the loan amount can reach and whether the increase is scheduled or only potential.

For the interest rate increases, the processor must disclose the frequency of changes, when the first change occurs, the maximum rate and when it can occur, a reference to the AIR table, and a disclosure if the term can increase.

For increases in payment amounts, the processor must disclose what is scheduled and when it can occur, including all triggers and any interest only payments.

Audit: What You are Looking For

Determine whether, for the loan amount, interest rate, and principal and interest payment amounts, the disclosure indicates whether the amounts can increase (“yes” or “no”). Details regarding this information must be included, based on the anticipated requirements of the note.

- For the loan amount, the maximum amount that the loan amount can reach is properly disclosed, and whether the increase is scheduled or only potential.
- For the interest rate, the frequency of charges, when the first change occurs, the maximum rate and when it can occur, a reference to the AIR table, and if the term can increase is properly disclosed.
- For increases in payment amounts, what is scheduled, when it can occur, including all triggers and any interest only payments is properly disclosed. All dollar amounts in this instruction must be rounded to the nearest dollar.

Regulatory Text § 1026.37(b)(6)

(6) Adjustments after consummation. For each amount required to be disclosed by paragraphs (b)(1) through (3) of this section, a statement of whether the amount may increase after consummation as an affirmative or negative answer to the question, and under such question disclosed as a subheading, **“Can this amount increase after closing?”** and, in the case of an affirmative answer, the following additional information, as applicable:

- (i) **Adjustment in loan amount.** The maximum principal balance for the transaction and the due date of the last payment that may cause the principal balance to increase. The disclosure further shall indicate whether the maximum principal balance is potential or is scheduled to occur under the terms of the legal obligation.
- (ii) **Adjustment in interest rate.** The frequency of interest rate adjustments, the date when the interest rate may first adjust, the maximum interest rate, and the first date when the interest rate can reach the maximum interest rate, followed by a reference to the disclosure required by paragraph (j) of this section. If the loan term, as defined under paragraph (a)(8) of this section, may increase based on an interest rate adjustment, the disclosure required by this paragraph (b)(6)(ii) shall also state that fact and the maximum possible loan term determined in accordance with paragraph (a)(8) of this section.
- (iii) **Increase in periodic payment.** The scheduled frequency of adjustments to the periodic principal and interest payment, the due date of the first adjusted principal and interest payment, the maximum possible periodic principal and interest payment, and the date when the periodic principal and interest payment may first equal the maximum principal and interest payment. If any adjustments to the principal and interest payment are not the result of a change to the interest rate, a reference to the disclosure required by paragraph (i). If there is a period during which only interest is required to be paid, the disclosure required by this paragraph (b)(6)(iii) shall also state that fact and the due date of the last periodic payment of such period.

Regulatory Commentary

1. **Periods not in whole years.** For guidance on how to disclose increases after consummation that occur after a period that does not equate to a number of whole years in compliance with § 1026.37(b)(6), see comment 37(a)(10)-3.

37(b)(6)(i) Adjustment in loan amount.

1. **Additional information regarding adjustment in loan amount.** A creditor complies with the requirement under § 1026.37(b)(6)(i) to disclose additional information indicating whether the maximum principal balance is potential or is scheduled to occur under the terms of the legal obligation by using the phrase **“Can go as high as”** or **“Goes as high as,”** respectively. A creditor complies with the requirement under § 1026.37(b)(6)(i) to disclose additional information indicating the due date of the last payment that may cause the principal balance to increase by using the phrase **“Increases until.”** See form H-24 of appendix H to this part for the required format of such phrases, which is required for federally related mortgage loans under § 1026.37(o)(3).

37(b)(6)(ii) Adjustment in interest rate.

1. **Additional information regarding adjustment in interest rate.** A creditor complies with the requirement under § 1026.37(b)(6)(ii) to disclose additional information indicating the frequency of adjustments to the interest rate and date when the interest rate may first adjust by using the phrases **“Adjusts every”** and **“starting in.”** A creditor complies with the requirement under § 1026.37(b)(6)(ii) to disclose additional information indicating the maximum interest rate, and the first date when the interest rate can reach the maximum interest rate using the phrase **“Can go as high as”** and then indicating the date at the end of that phrase or for a scheduled maximum interest rate under a step rate loan, **“Goes as high as.”** If the loan term may increase based on an interest rate adjustment, the disclosure shall indicate the maximum possible loan term using the phrase **“Can increase loan term to.”** See form H-24 of appendix H to this part for the required format of such phrases, which is required for federally related mortgage loans under § 1026.37(o)(3).
2. **Interest rates that adjust at multiple intervals.** If the terms of the legal obligation provide for more than one adjustment period, § 1026.37(b)(6)(ii) requires disclosure of only the frequency of the first interest rate adjustment. For example, if the interest rate is fixed for five years, then adjusts every two years starting in year six, then adjusts every year starting in year 10, the disclosure required is **“Adjusts every 2 years starting in year 6.”**

37(b)(6)(iii) Increase in periodic payment.

1. **Additional information regarding increase in periodic payment.** A creditor complies with the requirement under § 1026.37(b)(6)(iii) to disclose additional information indicating the scheduled frequency of adjustments to the periodic principal and interest payment by using the phrases **“Adjusts every”** and **“starting in.”** A creditor complies with the requirement under § 1026.37(b)(6)(iii) to disclose additional information indicating the maximum possible periodic principal and interest payment, and the date when the periodic principal and interest payment may first equal the maximum principal and interest payment by using the phrase **“Can go as high as”** and then indicating the date at the end of that phrase or, for a scheduled maximum amount, such as under a step payment loan, **“Goes as high as.”** A creditor complies with the requirement under § 1026.37(b)(6)(iii) to indicate that there is a period during which only interest is required to be paid and the due date of the last periodic payment of such period using the phrase **“Includes only interest and no principal until.”** See form H-24 of appendix H to this part for the required format of such phrases, which is required for federally related mortgage loans under §

1026.37(o)(3). See comment app. D-7.iv for an explanation of the disclosure of an increase in the periodic payment for a construction or construction-permanent loan.

- 2. Periodic principal and interest payments that adjust at multiple intervals.** *If there are multiple periods of adjustment under the terms of the legal obligation, § 1026.37(b)(6)(iii) requires disclosure of the frequency of only the first adjustment to the periodic principal and interest payment, regardless of the basis for the adjustment. Accordingly, where the periodic principal and interest payment may change because of more than one factor and such adjustments are on different schedules, the frequency disclosed is the adjustment of whichever factor adjusts first. For example, where the interest rate for a transaction is fixed until year six and then adjusts every three years but the transaction also has a negative amortization feature that ends in year seven, § 1026.37(b)(6)(iii) requires disclosure that the interest rate will adjust every three years starting in year six because the periodic principal and interest payment adjusts based on the interest rate before it adjusts based on the end of the negative amortization period.*

CFPB Guide

When describing time periods of less than 24 months that are not whole years, see the instructions related to the Product in section 2.2.1 above.

Under the subheading Can this amount increase after closing?, if the Loan Amount, Interest Rate, or Monthly Principal & Interest amounts can increase after consummation, disclose Yes where applicable with the information pertinent to the adjustment after consummation. (§ 1026.37(b)(6))

- For an adjustment in Loan Amount, the creditor must also disclose the maximum principal balance for the transaction and the due date (expressed as the year or month in which it occurs, rather than an exact date) of the last payment that may cause the principal balance to increase, together with a statement whether the maximum principal balance may or will occur under the terms of the legal obligation. (§ 1026.37(b)(6)(i)) The date disclosed is the year in which the event occurs, counting from the due date of the initial periodic payment. (§ 1026.37(b)(8)(ii))
- For an adjustment in the Interest Rate, also disclose the frequency of interest rate adjustments, the date when the interest rate may first adjust, the maximum interest rate, and the first date when the interest rate can reach the maximum interest rate. (§ 1026.37(b)(6)(ii)) The date disclosed is the year in which the event occurs, counting from the date that interest for the first scheduled periodic payment begins to accrue after consummation. (§ 1026.37(b)(8)(i)) Also, disclose and reference the Adjustable Interest Rate (AIR) Table on page 2 of the Loan Estimate. (§ 1026.37(b)(6)(ii))
- For an adjustment to the Monthly Principal & Interest, the creditor would also disclose the scheduled frequency of adjustments, due date of the first adjustment, and the maximum possible amount (and the earliest date it can occur) of the Monthly Principal & Interest. In addition, if there is a period during which only interest is required to be paid, also disclose that fact and the due date of the last periodic payment of such period. (§ 1026.37(b)(6)(iii)) The date disclosed is the year in which the event occurs, counting from

the due date of the initial payment. (§ 1026.37(b)(8)(ii)) Also, disclose and reference the Adjustable Payment (AP) Table on page 2. (§ 1026.37(b)(6)(iii))

When the Loan Amount, Interest Rate, or Monthly Principal & Interest payment cannot increase after consummation, disclose No where applicable. (§ 1026.37(b)(6))

[19] Details about prepayment penalty and balloon payment (page 1, Loan Terms section) - Moderate

Loan Terms		Can this amount increase after closing?
Loan Amount		
Interest Rate		
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>		
Prepayment Penalty		Does the loan have these features?
Balloon Payment		

If the loan has a prepayment penalty, additional PPP information will appear here

If the loan has a balloon payment, the date and amount of the balloon payment will appear here

Y&A Completion Instruction

For both the prepayment penalty disclosure and the balloon payment disclosure, the processor must answer “yes” or “no” to the question “Does the loan have these features?” This was discussed in Instructions [17] and [18]. If the answer to the question was yes for either of these items, additional information must be furnished.

For the prepayment penalty disclosure, the processor must disclose the maximum prepayment penalty amount and the date that the prepayment penalty will end. For this calculation, the processor must assume that all payments are timely and there are no other issues that might change this amount.

For the balloon payment disclosure, the processor must disclose the maximum amount for the balloon amount and the due date for the balloon.

Audit: What You are Looking For

Determine whether, based on the answer to the question(s) as to whether the loan will have a prepayment penalty of a balloon payment, is all additional information properly disclosed.

- For the prepayment penalty disclosure, the maximum prepayment penalty amount and the date that the prepayment penalty will end is properly disclosed. For this calculation, the requirement is to assume all payments are timely and there are no other issues that might change this amount.

- For the balloon payment disclosures, the maximum amount for the balloon amount and the due date for the balloon is properly disclosed. All dollar amounts must be rounded to the nearest dollar.

Regulatory Text § 1026.37(b)(7)

- (7) **Details about prepayment penalty and balloon payment.** The information required to be disclosed by paragraphs (b)(4) and (5) of this section shall be disclosed as an affirmative or negative answer to the question, and under such question disclosed as a subheading, **“Does the loan have these features?”** If an affirmative answer for a prepayment penalty or balloon payment is required to be disclosed, the following information shall be included, as applicable:
- (i) The maximum amount of the prepayment penalty that may be imposed and the date when the period during which the penalty may be imposed terminates; and
 - (ii) The maximum amount of the balloon payment and the due date of such payment.

Regulatory Commentary

Paragraph 37(b)(7)(i).

1. **Maximum prepayment penalty.** *Section 1026.37(b)(7)(i) requires disclosure of the maximum amount of the prepayment penalty that may be imposed under the terms of the legal obligation. The creditor complies with § 1026.37(b)(7)(i) when it assumes that the consumer prepays at a time when the prepayment penalty may be charged and that the consumer makes all payments prior to the prepayment on a timely basis and in the amount required by the terms of the legal obligation. The creditor must determine the maximum of each amount used in calculating the prepayment penalty. For example, if a transaction is fully amortizing and the prepayment penalty is two percent of the loan balance at the time of prepayment, the prepayment penalty amount should be determined by using the highest loan balance possible during the period in which the penalty may be imposed. If more than one type of prepayment penalty applies, the creditor must aggregate the maximum amount of each type of prepayment penalty in the maximum penalty disclosed.*
2. **Additional information regarding prepayment penalty.** *A creditor complies with the requirement under Section 1026.37(b)(7)(i) to disclose additional information indicating the maximum amount of the prepayment penalty that may be imposed and the date when the period during which the penalty may be imposed terminates using the phrases “As high as” and “if you pay off the loan during.” See form H-24 of appendix H to this part for the required format of such phrases, which is required for federally related mortgage loans under § 1026.37(o)(3).*

Paragraph 37(b)(7)(ii).

1. **Additional information regarding balloon payment.** *A creditor complies with the requirement under § 1026.37(b)(7)(ii) to disclose additional information indicating the maximum amount of the balloon payment and the due date of such payment using the phrases “You will have to pay” and “at the end of.” See form H-24 of appendix H to this part for the*

required format of such phrases, which is required for federally related mortgage loans under § 1026.37(o)(3). If the transaction includes more than one balloon payment, a creditor complies with § 1026.37(b)(7)(ii) by disclosing the highest of the balloon payments and the due date of that payment.

CFPB Guide

When describing time periods of less than 24 months that are not whole years, see the instructions related to the Product in section 2.2.1 above.

Under the subheading Can this amount increase after closing?, if the Loan Amount, Interest Rate, or Monthly Principal & Interest amounts can increase after consummation, disclose Yes where applicable with the information pertinent to the adjustment after consummation. (§ 1026.37(b)(6))

- For an adjustment in Loan Amount, the creditor must also disclose the maximum principal balance for the transaction and the due date (expressed as the year or month in which it occurs, rather than an exact date) of the last payment that may cause the principal balance to increase, together with a statement whether the maximum principal balance may or will occur under the terms of the legal obligation. (§ 1026.37(b)(6)(i)) The date disclosed is the year in which the event occurs, counting from the due date of the initial periodic payment. (§ 1026.37(b)(8)(ii))
- For an adjustment in the Interest Rate, also disclose the frequency of interest rate adjustments, the date when the interest rate may first adjust, the maximum interest rate, and the first date when the interest rate can reach the maximum interest rate. (§ 1026.37(b)(6)(ii)) The date disclosed is the year in which the event occurs, counting from the date that interest for the first scheduled periodic payment begins to accrue after consummation. (§ 1026.37(b)(8)(i)) Also, disclose and reference the Adjustable Interest Rate (AIR) Table on page 2 of the Loan Estimate. (§ 1026.37(b)(6)(ii))
- For an adjustment to the Monthly Principal & Interest, the creditor would also disclose the scheduled frequency of adjustments, due date of the first adjustment, and the maximum possible amount (and the earliest date it can occur) of the Monthly Principal & Interest. In addition, if there is a period during which only interest is required to be paid, also disclose that fact and the due date of the last periodic payment of such period. (§ 1026.37(b)(6)(iii)) The date disclosed is the year in which the event occurs, counting from the due date of the initial payment. (§ 1026.37(b)(8)(ii)) Also, disclose and reference the Adjustable Payment (AP) Table on page 2. (§ 1026.37(b)(6)(iii))

When the Loan Amount, Interest Rate, or Monthly Principal & Interest payment cannot increase after consummation, disclose No where applicable. (§ 1026.37(b)(6))

[20] Timing (Loan Terms section) - Low

Y&A Completion Instruction

All timing for the disclosures in Loan Terms are based on the date that interest begins to accrue, and are disclosed in the year that it occurs, not necessarily in the specific month or day for Loan Amount, Increase in Payment and Balloons. The Prepayment Penalty disclosure is based on the note date. In general, compliance with this section is within the software, and outside of the processor's control.

When disclosing the timing issues, use the methods set forth in Instruction [10].

Audit: What You are Looking For

All timing for the disclosures in Loan Terms are based on the date the interest begins to accrue, and are disclosed in the year that it occurs, not necessarily in the specific month or day for Loan Amount, Increase in Payment and Balloons. The Prepayment Penalty disclosure is based on the note date. The auditor may choose not to review this feature, as it is a programming issue rather than a processor issue.

Regulatory Text § 1026.37(b)(8)

- (i) The dates required to be disclosed by paragraph (b)(6)(ii) of this section shall be disclosed as the year in which the event occurs, counting from the date that interest for the first scheduled periodic payment begins to accrue after consummation.
- (ii) The dates required to be disclosed by paragraphs (b)(6)(i), (b)(6)(iii) and (b)(7)(ii) of this section shall be disclosed as the year in which the event occurs, counting from the due date of the initial periodic payment.
- (iii) The date required to be disclosed by paragraph (b)(7)(i) of this section shall be disclosed as the year in which the event occurs, counting from the date of consummation.

Regulatory Commentary

1. **Whole years.** *For adjustments that occur after a period of whole years, the timing of information required by § 1026.37(b)(8) starts with year number “1,” counting from the date that interest for the first scheduled periodic payment begins to accrue for § 1026.37(b)(8)(i), or from the due date of the first periodic payment for § 1026.37(b)(8)(ii), or from the date of consummation for § 1026.37(b)(8)(iii). For example, an interest rate that is fixed for five years and can first adjust at the beginning of the 61st month from the date that interest for the regularly scheduled periodic payment began to accrue would be disclosed as beginning to adjust in “year 6.” A monthly periodic payment that adjusts starting with the 61st scheduled payment likewise would be disclosed as adjusting in “year 6.”*

2. ***Periods not in whole years.*** For adjustments that occur after a number of months less than 24 that do not equate to a number of whole years or within a number of days less than a week, see the guidance provided in comment 37(a)(10)-3.

CFPB Guide

None.

Section 4: Projected Payments

12 CFR § 1026.37(c)

General Language § 1026.37(c)

Y&A Commentary:

The projected payments table allows for four potential payment streams, which for some loans (notably ARM loans) is likely to be inadequate. When there are more than four potential payment streams, with the exception of a balloon loan, the fourth payment stream becomes a catch-all for everything that can occur after the third payment stream. You are required to disclose each separate payment stream, including mortgage insurance and escrow (if required), subject to these limitations.

Regulatory Text

- (c) **Projected payments.** In a separate table under the heading “Projected Payments,” an itemization of each separate periodic payment or range of payments, together with an estimate of taxes, insurance, and assessments and the payments to be made with escrow account funds.

Regulatory Commentary

1. **Definitions.** For purposes of § 1026.37(c), the terms “*adjustable rate*,” “*fixed rate*,” “*negative amortization*,” and “*interest only*” have the meanings in § 1026.37(a)(10).
2. **Construction loans.** See comment app. D-7.v for an explanation of the projected payments disclosure for a construction or construction-permanent loan.

CFPB Guide

The Projected Payments table shows estimates of the periodic payments that the consumer will make over the life of the loan. Creditors must disclose estimates of the following periodic payment amounts in the Projected Payments table:

- Principal & Interest;
- Mortgage Insurance;
- Estimated Escrow;
- Estimated Total Monthly Payment; and
- Estimated Taxes, Insurance, & Assessments, even if not paid with escrow funds.

The Projected Payments table also describes whether taxes, insurance, and other assessments will be paid with funds in the consumer’s escrow account. (§ 1026.37(c)(2))

[21] Periodic payment or range of payments (page 1, Projected Payments) - High

Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow <i>Amount can increase over time</i>	
Estimated Total Monthly Payment	

Although it is not obvious based on the form, there is room for four separate payment streams within this portion of the Loan Estimate.

Y&A Completion Instruction

The processor must complete up to four potential projected payment streams. A new payment stream occurs when the periodic payment may change, a scheduled balloon payment occurs, mortgage insurance automatically terminates, or when the anniversary date of a year occurs that has multiple events which will change the payment amount due. The payment streams change based on major events, not minor events, such as odd days interest. For instance, should the interest only period expire and the loan begin a principal and interest payment, the processor discloses a new payment stream, subject to the limitations of the disclosure. The payment streams are always based on full years, not partial years.

The first payment stream is always based on the anticipated original interest rate, loan term, etc. If the interest rate has not yet been set on an ARM loan, the first payment stream must be based on the fully indexed rate. For construction loans, the first payment stream will be about one half of a monthly interest payment based on the full principal balance, or a full month's interest, depending upon the approach that your institution has chosen.. The payment schedule is completed to show the best and worst case scenario for each rate change, given the limitations on the number of payment streams.

If more than four payment streams are required to fully describe the loan payments, the fourth payment stream becomes a "catch all" for everything that occurs from the beginning of the fourth payment stream to the end of the loan.

Balloon loan payments must always appear in the table, so if a loan has several potential payment streams, the final payment stream contains the balloon payment. This may require the third payment stream to become the "catch all" payment stream.

If mortgage insurance actually reaches its mandatory cancellation date during the fourth payment stream, then the payment schedule will not show the cancellation of the mortgage insurance. The processor should note that mortgage insurance is not only PMI – it is any type of payment (including VA, FHA, etc.) that acts as insurance, regardless of whether state law considers these fees as insurance. Mortgage insurance cancellation dates are calculated in the same manner that you have always used, and are likely to be an estimate at this point.

For negative amortization loans, the payment stream must be based on the maximum loan amount, and assumes that the consumer has not made any additional principal reductions.

Audit: What You are Looking For

The loan has the correct number of payment streams, and each stream is correct. A description of the various payment stream possibilities can be found below in the regulation and commentary. Note that the total payment or payment range for each payment must be rounded. The auditor must determine if they wish to recalculate and verify all payment streams that appear in the Projected Payments section.

There are up to four potential projected payment streams. A new payment stream occurs when the periodic payment may change, a scheduled balloon payment occurs, mortgage insurance automatically terminates, or when the anniversary date of a year occurs that has multiple events which will change the payment amount due. The payment streams change based on major events, not minor events, such as odd days interest. The payment streams are always based on full years, not partial years.

The first payment stream is always based on the anticipated original interest rate, loan term, etc. If the interest rate has not yet been set on an ARM loan, the first payment stream must be based on the fully indexed rate. The payment schedule is completed to show the best and worst case scenario for each rate change, given the limitations on the number of payment streams.

If more than four payment streams are required to fully describe the loan payments, the fourth payment stream becomes a “catch all” for everything that occurs from the beginning of the fourth payment stream to the end of the loan.

Balloon loan payments must always appear in the table, so if a loan has several potential payment streams, the final payment stream contains the balloon payment. This may require the third payment stream to become the “catch all” payment stream.

If mortgage insurance actually reaches its mandatory cancellation date during the fourth payment stream, then the payment schedule will not show the cancellation of the mortgage insurance. Mortgage insurance is not only PMI – it is any type of payment (including VA, FHA, etc.) that behaves like insurance, regardless of whether state law considers these fees as insurance. Mortgage insurance cancellation dates are calculated in the same manner that we have always used, and are likely to be an estimate at this point.

For negative amortization loans, the payment stream must be based on the maximum loan amount, and assumes that the consumer has not made any additional principal reductions.

Regulatory Text § 1026.37(c)(1)

(1) Periodic payment or range of payments.

- (i) The initial periodic payment or range of payments is a separate periodic payment or range of payments and, except as otherwise provided in paragraph (c)(1)(ii) and (iii) of this section, the following events require the disclosure of additional separate periodic payments or ranges of payments:
 - (A) The periodic principal and interest payment or range of such payments may change;
 - (B) A scheduled balloon payment, as defined in paragraph (b)(5) of this section;
 - (C) The creditor must automatically terminate mortgage insurance or any functional equivalent under applicable law; and
 - (D) The anniversary of the due date of the initial periodic payment or range of payments that immediately follows the occurrence of multiple events described in paragraph (c)(1)(i)(A) of this section during a single year.
- (ii) The table required by this paragraph (c) shall not disclose more than four separate periodic payments or ranges of payments. For all events requiring disclosure of additional separate periodic payments or ranges of payments described in paragraph (c)(1)(i)(A) through (D) of this section occurring after the third separate periodic payment or range of payments disclosed, the separate periodic payments or ranges of payments shall be disclosed as a single range of payments, subject to the following exceptions:
 - (A) A balloon payment that is scheduled as a final payment under the terms of the legal obligation shall always be disclosed as a separate periodic payment or range of payments, in which case all events requiring disclosure of additional separate periodic payments or ranges of payments described in paragraph (c)(1)(i)(A) through (D) of this section occurring after the second separate periodic payment or range of payments disclosed, other than the balloon payment that is scheduled as a final payment, shall be disclosed as a single range of payments.
 - (B) The automatic termination of mortgage insurance or any functional equivalent under applicable law shall require disclosure of an additional separate periodic payment or range of payments only if the total number of separate periodic payments or ranges of payments otherwise disclosed pursuant to this paragraph (c)(1) does not exceed three.
- (iii) When a range of payments is required to be disclosed under this paragraph (c)(1), the creditor must disclose the minimum and maximum amount for both the principal and interest payment under paragraph (c)(2)(i) of this section and the total periodic payment under paragraph (c)(2)(iv) of this section. A range of payments is required to be disclosed under this paragraph (c)(1) when:
 - (A) Multiple events described in paragraph (c)(1)(i) of this section are combined in a single range of payments pursuant to paragraph (c)(1)(ii) of this section;
 - (B) Multiple events described in paragraph (c)(1)(i)(A) of this section occur during a single year or an event described in paragraph (c)(1)(i)(A) of this section occurs during the same year as the initial periodic payment or range of payments, in which case the creditor discloses the range of payments that would apply during the year in which the events occur; or

- (C) The periodic principal and interest payment may adjust based on index rates at the time an interest rate adjustment may occur.

Regulatory Commentary

Paragraph 37(c)(1)(i).

1. **Periodic payments.** For purposes of § 1026.37(c)(1)(i), the periodic payment is the regularly scheduled payment of principal and interest, mortgage insurance premiums, and escrow payments described in § 1026.37(c)(2) without regard to any final payment that differs from other payments because of rounding to account for payment amounts including fractions of cents.
2. **Initial periodic payment or range of payments.** Section 1026.37(c)(1)(i) requires the creditor to disclose the initial periodic payment or range of payments. The disclosure required is of the actual periodic payment or range of payments that corresponds to the interest rate that will apply at consummation, including any initial discounted or premium interest rate. For examples of discounted and premium rate transactions, see comment 17(c)(1)-10.v. For guidance regarding whether the disclosure should reflect a buydown, see comments 17(c)(1)-3 through -5. If the initial periodic payment or range of payments may vary based on an adjustment to an index value that applies at consummation, § 1026.37(c)(1)(i) requires that the disclosure of the initial periodic payment or range of payments be based on the fully-indexed rate disclosed under § 1026.37(b)(2). See comment 37(b)(2)-1 for guidance regarding calculating the fully-indexed rate.

Paragraph 37(c)(1)(i)(A).

1. **Periodic principal and interest payments.** For purposes of § 1026.37(c)(1)(i)(A), periodic principal and interest payments may change when the interest rate, applicable interest rate caps, required periodic principal and interest payments, or ranges of such payments may change. Minor payment variations resulting solely from the fact that months have different numbers of days are not changes to periodic principal and interest payments.
2. **Negative amortization.** In a loan that contains a negative amortization feature, periodic principal and interest payments or the range of such payments may change for purposes of § 1026.37(c)(1)(i)(A) at the time the negative amortization period ends under the terms of the legal obligation, meaning the consumer must begin making payments that do not result in an increase of the principal balance. The occurrence of an event requiring disclosure of additional separate periodic payments or ranges of payments should be based on the assumption that the consumer will make payments as scheduled or, if applicable, elect to make the periodic payments that would extend the negative amortization period to the latest time permitted under the terms of the legal obligation. The occurrence of all subsequent events requiring disclosure of additional separate periodic payments or ranges of payments should be based on this assumption. The table required by § 1026.37(c) should also reflect any balloon payment that would result from such scheduled payments or election. See § 1026.37(c)(1)(ii)(A) for special rules regarding disclosure of balloon payments.
3. **Interest only.** In a loan that contains an interest only feature, periodic principal and interest payments may change for purposes of § 1026.37(c)(1)(i)(A) when the interest only period ends, meaning the consumer must begin making payments that do not defer repayment of principal.

Paragraph 37(c)(1)(i)(B).

1. **Balloon payment.** For purposes of § 1026.37(c)(1)(i)(A), whether a balloon payment occurs is determined pursuant to § 1026.37(c)(1)(i)(B) and its commentary. For guidance on the amount of a balloon payment disclosed on the table required by § 1026.37(c), see comment 37(c)(2)(i)-3.

Paragraph 37(c)(1)(i)(C).

1. **General. “Mortgage insurance or any functional equivalent”** means the amounts identified in § 1026.4(b)(5). For purposes of § 1026.37(c), **“mortgage insurance or any functional equivalent”** includes any mortgage guarantee that provides coverage similar to mortgage insurance (such as a United States Department of Veterans Affairs or United States Department of Agriculture guarantee), even if not technically considered insurance under State or other applicable law. The fees for such a guarantee are included in **“mortgage insurance premiums.”**
2. **Calculation of mortgage insurance termination.** For purposes of § 1026.37(c)(1)(i)(C), mortgage insurance premiums should be calculated based on the declining principal balance that will occur as a result of changes to the interest rate and payment amounts, applying the interest rates applicable to the transaction. Such calculation should take into account any initial discounted or premium interest rate. For example, for an adjustable rate transaction that has a discounted interest rate during an initial five-year period, the creditor makes the calculation using a composite rate based on the rate in effect during the initial five year period and, thereafter, the fully-indexed rate, unless otherwise required by applicable law. For guidance on calculation of the amount of mortgage insurance premiums to disclose on the table required by § 1026.37(c), see § 1026.37(c)(2)(ii) and its commentary. See comment 37(b)(2)-1 for guidance regarding calculating the fully-indexed rate.
3. **Disclosure of mortgage insurance termination.** The table required by § 1026.37(c) should reflect the consumer’s mortgage insurance premiums until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. Unlike termination of mortgage insurance, a subsequent decline in the consumer’s mortgage insurance premiums is not, by itself, an event that requires the disclosure of additional separate periodic payments or ranges of payments in the table required by § 1026.37(c). For example, some mortgage insurance programs annually adjust premiums based on the declining loan balance. Such annual adjustment to the amount of premiums would not require a separate disclosure of a periodic payment or range payments.

Paragraph 37(c)(1)(i)(D).

1. **Anniversary of the due date of initial periodic payment.** 1026.37(c)(1)(i)(D) provides that the anniversary of the due date of the initial periodic payment or range of payments that immediately follows the occurrence of multiple events described in § 1026.37(c)(1)(i)(A) during a single year is an event that requires disclosure of additional periodic payments or ranges of payments. § 1026.37(c)(1)(i)(A) provides that a potential change in the periodic principal and interest payment is an event requiring disclosure of additional separate periodic payments. See comment 37(c)(1)(iii)(B)-1 for an example of the application of 1026.37(c)(1)(i)(D).

Paragraph 37(c)(1)(ii)(A).

1. **Special rule regarding balloon payments that are final payments.** Section 1026.37(c)(1)(ii)(A) is an exception to the general rule in § 1026.37(c)(1)(ii), and requires that a balloon payment that is scheduled as a final payment under the terms of the legal obligation is always disclosed as a separate periodic payment or range of payments, in which case the creditor discloses as a single range of payments all events requiring disclosure of additional separate periodic payments or ranges of payments described in § 1026.37(c)(1)(i)(A) through (D), other than the final balloon payment, occurring after the second separate periodic payment or range of payments disclosed. Balloon payments that are not scheduled as final payments under the terms of the legal obligation, such as a balloon payment due at the scheduled recast of a loan that permits negative amortization, are disclosed pursuant to the general rule in § 1026.37(c)(1)(ii). A balloon payment that is a final payment is disclosed as a single payment, and not combined with other changes to periodic principal and interest payments and disclosed as a range.
2. **Example.** Assume a loan with a term of seven years, where the interest rate adjusts each year for the first three years and is fixed thereafter, that provides for a balloon payment as the final payment, where no mortgage insurance is required, and no escrow account will be established for the payment of charges described in § 1026.37(c)(4)(ii). The creditor discloses on the table required by § 1026.37(c) in the first column the initial periodic payment or range of payments, in the second column the periodic payment or range of payments that would apply after the first interest rate adjustment, in the third column the periodic payments or ranges of payments that would apply after the second interest rate adjustment until the final balloon payment (disclosed as a single range of payments), and in the fourth column the final balloon payment. Although the balloon payment that is scheduled as the final payment under the terms of the legal obligation occurs after the third separate periodic payment or range of payments, the creditor discloses the final balloon payment as a separate event requiring disclosure of additional periodic payments or range of payments due to the special rule in § 1026.37(c)(1)(ii)(A).

Paragraph 37(c)(1)(ii)(B).

1. **Special rule regarding disclosure of the automatic termination of mortgage insurance.** Section 1026.37(c)(1)(ii)(B) is an exception to the general rule § 1026.37(c)(1)(ii), and requires that the automatic termination of mortgage insurance or any functional equivalent under applicable law is disclosed as a separate periodic payment or range of payments only if the total number of separate periodic payments or ranges of payments otherwise disclosed does not exceed three. This means that the automatic termination of mortgage insurance or any functional equivalent under applicable law is disclosed as its own event only if there is a column in which to disclose it, i.e., there are only three other separate periodic payments or ranges of payments that are required to be disclosed. Where the automatic termination of mortgage insurance or any functional equivalent under applicable law is not disclosed as a separate periodic payment or range of payments, the absence of a required mortgage insurance payment is disclosed with the next disclosed event requiring disclosure of additional separate periodic payments or ranges of payments, as applicable.
2. **Examples of special rule regarding disclosure of the automatic termination of mortgage insurance.**
 - i. Assume a step-rate loan with a 30-year term with an introductory interest rate that lasts for

five years, a different interest rate that applies for the next five-year period, a final interest rate adjustment after 10 years, where mortgage insurance would terminate for purposes of § 1026.37(c)(1)(i)(C) in the third year, and where no escrow account would be established for the payment of charges § 1026.37(c)(4)(ii). The creditor would disclose on the table required by the initial periodic payment for years one through three (reflecting the principal and interest payment corresponding to the introductory interest rate and payments for mortgage insurance premiums), an additional separate periodic payment for years four and five (reflecting the principal and interest payment corresponding to the introductory rate and no payments for mortgage insurance premiums), an additional separate periodic payment or range of payments for years six through 10 (reflecting the principal and interest payment corresponding to the interest rate that would apply after the introductory rate), and an additional separate periodic payment or range of payments for years 11 through 30 (reflecting the principal and interest payment corresponding to the interest rate that would apply after the second interest rate adjustment until the end of the loan term). In this example, the automatic termination of mortgage insurance would be separately disclosed on the table required by § 1026.37(c) because the total number of separate periodic payments or ranges of payments otherwise disclosed pursuant to does not exceed three.

- ii. Assume the same loan as above, except that the terms of the legal obligation also provide for a third interest rate adjustment that would occur after 15 years. The creditor would disclose on the table required by § 1026.37(c) the initial periodic payment for years one through five (reflecting the principal and interest payment corresponding to the introductory interest rate and payments for mortgage insurance premiums), an additional separate periodic payment or range of payments for years six through 10 (reflecting the principal and interest payment corresponding to the interest rate that would apply after the first interest rate adjustment and no payments for mortgage insurance premiums), an additional separate periodic payment or range of payments for years 11 through 15 (reflecting the principal and interest payment corresponding to the interest rate that would apply after the second interest rate adjustment), and an additional separate periodic payment or range of payments for years 16 through 30 (reflecting the principal and interest payment corresponding to the interest rate that would apply after the third interest rate adjustment until the end of the loan term). In this example, the automatic termination of mortgage insurance would not be separately disclosed on the table required by § 1026.37(c) because the total number of separate periodic payments or ranges of payments otherwise disclosed pursuant to § 1026.37(c)(1) exceeds three. However, the creditor would disclose the termination of mortgage insurance beginning with the periodic payment or range of payments for years six through 10, which is the next disclosed event requiring disclosure of additional separate periodic payments or ranges of payments.

Paragraph 37(c)(1)(iii).

1. **Ranges of payments.** When a range of payments is required to be disclosed under § 1026.37(c)(1), § 1026.37(c)(1)(iii) requires the creditor to disclose the minimum and maximum amount for both the principal and interest payment under 1026.37(c)(2)(i), and the total periodic payment under § 1026.37(c)(2)(iv). The amount required to be disclosed for mortgage insurance premiums pursuant to § 1026.37(c)(2)(ii) and the amount payable into an escrow account pursuant to § 1026.37(c)(2)(iii) shall not be disclosed as a range.

Paragraph 37(c)(1)(iii)(B).

1. **Multiple events occurring in a single year.** *If multiple changes to periodic principal and interest payments would result in more than one separate periodic payment or range of payments in a single year, § 1026.37(c)(1)(iii)(B) requires the creditor to disclose the range of payments that would apply during the year in which the events occur. For example:*
 - i. *Assume a loan with a 30-year term with a payment that adjusts every month for the first 12 months and is fixed thereafter, where mortgage insurance is not required, and where no escrow account would be established for the payment of charges described in § 1026.37(c)(4)(ii). The creditor discloses as a single range of payments the initial periodic payment and the periodic payment that would apply after each payment adjustment during the first 12 months, which single range represents the minimum payment and maximum payment, respectively. Under § 1026.37(c)(1)(i)(D), the creditor also discloses, as an additional separate periodic payment or range of payments, the periodic principal and interest payment or range of payments that would apply after the payment becomes fixed.*
 - ii. *Assume instead a loan with a 30-year term with a payment that adjusts upward at three months and at six months and is fixed thereafter, where mortgage insurance is not required, and where no escrow account would be established for the payment of charges described in § 1026.37(c)(4)(ii). The creditor discloses as a single range of payments the initial periodic payment, the periodic payment that would apply after the payment adjustment that occurs at three months, and the periodic payment that would apply after the payment adjustment that occurs at six months, which single range represents the minimum payment and maximum payment, respectively, which would apply during the first year of the loan. Under § 1026.37(c)(1)(i)(D), the creditor also discloses as an additional separate periodic payment or range of payments, the principal and interest payment that would apply on the first anniversary of the due date of the initial periodic payment or range of payments, because that is the anniversary that immediately follows the occurrence of the multiple payments or ranges of payments that occurred during the first year of the loan.*
 - iii. *Assume that the same loan has a payment that, instead of becoming fixed after the adjustment at six months, adjusts once more at 18 months and becomes fixed thereafter. The creditor discloses the same single range of payments for year one. Under § 1026.37(c)(1)(i)(D), the creditor separately discloses the principal and interest payment that would apply on the first anniversary of the due date of the initial periodic payment in year two. Under § 1026.37(c)(1)(i)(A) and (c)(3)(ii), beginning in the next year in the sequence (i.e., in year three), the creditor separately discloses the periodic payment that would apply after the payment adjustment that occurs at 18 months. See comment 37(c)(3)(ii)-1 regarding subheadings that state the years.*

Paragraph 37(c)(1)(iii)(C).

1. **Adjustable rate mortgages.** *For an adjustable rate loan, the periodic principal and interest payment at each time the interest rate may change will depend on the rate that applies at the*

time of the adjustment, which is not known at the time the disclosure is provided. As a result, the creditor discloses the minimum and maximum periodic principal and interest payment that could apply during each period disclosed pursuant to § 1026.37(c)(1) after the first period.

CFPB Guide

Show in one column the initial Periodic Payment (or range of payments if required) for each of Principal & Interest, Mortgage Insurance, and Estimated Escrow. (§ 1026.37(c)(1)) Depending on the features of the loan, subsequent periodic payments also may be required to be disclosed. The Periodic Payment is the regularly scheduled payment of Principal & Interest, Mortgage Insurance, and Estimated Escrow. (Comment 37(c)(1)(i)-1)

Initial Periodic Payment

To calculate the initial Periodic Payment, use the interest rate that will apply at closing, including any initial discounted or premium interest rate. If the interest rate at closing is not known, such as for an adjustable rate loan without an introductory fixed rate period, use the fully-indexed rate to determine the initial Periodic Payment. (Comment 37(c)(1)(i)-2) Information on how to calculate the initial Periodic Payment for a construction loan is available in Section 14 of the Compliance Guide.

If the consumer's periodic payments will remain constant over the life of the loan, such as in a fixed rate, fixed payment loan without mortgage insurance, the Projected Payments table has just one column.

Subsequent Periodic Payments

If any of the triggering events listed below may occur during the life of the loan, add a column to show the amount of the periodic payments after the triggering event. (§ 1026.37(c)(1)(i)):

The Principal & Interest amount or range of such amount may change (for example if the loan has an adjustable rate). (§ 1026.37(c)(1)(i)(A)) Negative Amortization – for loans that have a Negative Amortization feature, the Principal & Interest amount may change when the Negative Amortization period ends under the terms of the legal obligation, meaning the consumer must begin making payments that do not result in an increase of the principal balance. (Comment 37(c)(1)(i)(A)-2)

Interest Only – for Interest Only loans, the Principal & Interest amount may change when the Interest Only period ends, meaning the consumer must begin making payments that do not defer repayment of principal. (Comment 37(c)(1)(i)(A)-3)

Minor Periodic Payment variations resulting solely from the fact that months have different numbers of days are not triggering events. (Comment 37(c)(1)(i)(A)-1)

Adjustable Rate loans – the Projected Payments table will have a new column, up to a maximum of four columns, for each scheduled rate adjustment. Because the Principal & Interest amount may change each time the rate is scheduled to adjust, a new column is required, up to a maximum of four columns. There is a new column, up to a maximum of four columns, even if the range of payments will stay the same. For example, there is a new column, up to a maximum of

four columns, even when the range will stay the same because the range is the minimum and maximum interest rate caps listed in the contract. (Comment 37(c)(1)(i)(A)-1)

- There is a scheduled Balloon Payment. (§ 1026.37(c)(1)(i)(B))
- The lender must automatically terminate Mortgage Insurance or any functional equivalent. (§ 1026.37(c)(1)(i)(C)) Even if the borrower may cancel the insurance earlier, use the date on which the lender must automatically terminate Mortgage Insurance coverage under applicable law. Only termination of Mortgage Insurance is a triggering event, while a decline in Mortgage Insurance premiums is not. (Comment 37(c)(1)(i)(C)-3)
- However, if there are already four columns, and Mortgage Insurance would terminate during the range disclosed in the fourth column, no automatic termination of Mortgage Insurance is disclosed on the Projected Payments table. (§ 1026.37(c)(1)(ii)(b))
- When the Periodic Payment amount changes more than once in a single year, show in the subsequent column the Periodic Payment amounts in the year following the one in which there were multiple changes. (§ 1026.37(c)(1)(i)(D)) A year for this table is the 12-month period following the due date of the initial Periodic Payment. (§ 1026.37(c)(3)(ii))

Number of Columns

The maximum number of columns the Periodic Payments table may contain is four. If a loan has more than four triggering events, for example, if the loan has more than three rate changes, show a range of payments in the fourth column that reflects all remaining periodic payments not shown in the first three columns. (§ 1026.37(c)(1)(ii)) EXCEPT:

- A Balloon Payment scheduled as a final payment always requires its own column. (§ 1026.37(c)(1)(ii)(A))
- If disclosing the final Balloon Payment means that other triggering events will not fit within the four-column maximum, show the other triggering events as a range of payments in the third column. (§ 1026.37(c)(1)(ii)(A))
- A Balloon Payment that is not a final payment is a triggering event that does not necessarily require its own column. (Comment 37(c)(1)(ii)(A)-1)
- The automatic termination of Mortgage Insurance generally requires the corresponding periodic payment to be shown in its own column, unless doing so would exceed the four-column maximum. (§ 1026.37(c)(1)(ii)(B)) Where the automatic termination of Mortgage Insurance need not be shown in its own column, the column showing the next periodic payment or range of payments should show the periodic payment amount without Mortgage Insurance. (Comment 37(c)(1)(ii)(B)-1)
- Show a range of payments rather than a single payment when: There are more triggering events than can be shown in four columns and thus one column must be used to show two or more periodic payment amounts.
- The Principal & Interest payment or range of such payments may change more than once in a single year or may change (at least once) in the same year as the initial periodic payment.

- The Principal & Interest payment may adjust based on an interest rate index and the rates are not yet known (i.e., for an Adjustable Rate loan). (§ 1026.37(c)(1)(iii))
- For a column that contains a range of payments, show both a minimum and maximum payment using rounded dollar amounts. (§ 1026.37(c)(1)(iii), (o)(4)(ii)) For an Adjustable Rate loan, use the maximum and minimum interest rates that could apply such as through an interest rate cap. (Comment 37(c)(1)(iii)(C)-1)
- Ranges of payments are required only for the Principal & Interest amount and the Estimated Total Monthly Payment. Do not show a range of payments for Mortgage Insurance or Estimated Escrow. (Comment 37(c)(1)(iii)-1)

Payment Calculation Column Headings

To the right of the Payment Calculation label, as column headings, use the years of the loan during which the payments or ranges of payments shown in that column will apply. (§ 1026.37(c)(3)(ii))

Use a sequence of whole years, counting from the due date of the initial Periodic Payment. For example, a two-column projected payments table might contain the headings “years 1-7” and “Years 8-30” if a triggering event occurs 85 months after the due date of the initial Periodic Payment. If a triggering event occurs in the middle of a year, use the next year in sequence as the heading for the subsequent column.

- For example, assume a 30-year loan that requires Interest Only payments for the first 54 months from the due date of the initial Periodic Payment. The column heading for the initial Periodic Payment would be “Years 1-5” and the column heading for the subsequent Periodic Payment would be “Years 6-30” because the triggering event occurs during the 5th year of the loan. (Comment 37(c)(3)(ii)-1)
- For Periodic Payments that may increase based on an adjustment of the interest rate, use the maximum loan term possible under the terms of the legal obligation. To calculate the maximum loan term, assume that the interest rate rises as rapidly as is possible under the terms of the legal obligation, taking into account any applicable interest rate caps. (Comment 37(c)(3)(ii)-2)
- For a Balloon Payment scheduled as a final payment, use Final Payment as the column heading. (§ 1026.37(c)(3)(iii))

Principal & Interest

Use the amount due for Principal & Interest for the period shown in the column heading. (§ 1026.37(c)(2)(i)) If the payment or range of payments includes any payments of Interest Only, use the phrase Only Interest under the amount of the payment or range of payments.

Adjustable Rate Loans

Generally, calculate Principal & Interest using the maximum payments by assuming that the interest rate will rise as rapidly as possible, taking into account the terms of the legal obligation, including any applicable caps on interest rate adjustments and lifetime interest rate cap. Other laws, such as a State usury law, can set the maximum rate if the legal obligation does not include a lifetime interest rate cap. Calculate the minimum payments by assuming that the interest rate

will decrease as rapidly as possible, taking into account any introductory rates, caps on interest rate adjustments, and lifetime interest rate floor. For an Adjustable Rate loan based on an index that has no lifetime interest rate floor, the minimum interest rate is equal to the margin. (Comment 37(c)(2)(i)-1)

For loans with a Negative Amortization feature, calculate Principal & Interest using the maximum payment amounts after the end of the period during which the principal balance may increase by assuming the maximum principal amount permitted under the terms of the legal obligation at the end of the period. Calculate the minimum payment amount by assuming the interest rate is the minimum possible under the terms of the legal obligation. (Comment 37(c)(2)(i)-2)

For loans with a Balloon Payment feature that may change depending on previous interest rate adjustments, calculate Principal & Interest using the assumptions for minimum and maximum interest rates described above and show as a range of payments. (Comment 37(c)(2)(i)-3)

Mortgage Insurance

Disclose the maximum amount payable as Mortgage Insurance that corresponds to the Principal & Interest payment shown in the same column. (§ 1026.37(c)(2)(ii)) Disclose as a rounded number. (§ 1026.37(o)(4)(ii))

Mortgage Insurance includes any mortgage guarantee that provides coverage similar to mortgage insurance (such as a U.S. Department of Veterans Affairs or U.S. Department of Agriculture guarantee), even if not technically considered insurance under State or other applicable law. (§ 1026.4(b)(5); Comment 37(c)(1)(i)(C)-1)

Calculate Mortgage Insurance premiums based on the principal balance that will exist after changes to the interest rate and payment amounts pursuant to the legal obligation. The calculations should take into account any initial discounted or premium interest rate. For example, for an Adjustable Rate transaction that has a discounted interest rate during an initial five-year period, calculate Mortgage Insurance premiums using a composite rate based on the rate in effect during the initial five-year period and, thereafter, the fully-indexed rate, unless otherwise required by applicable law. (Comment 37(c)(1)(i)(C)-2)

If Mortgage Insurance is not required, disclose “0.” (Comments 37(c)(2)(ii)-1 and -2)

Disclose the Mortgage Insurance amount that corresponds with the Principal & Interest amount shown in the same column, even if Mortgage Insurance is paid on a different schedule than Principal & Interest. (Comment 37(c)(2)(ii)-2)

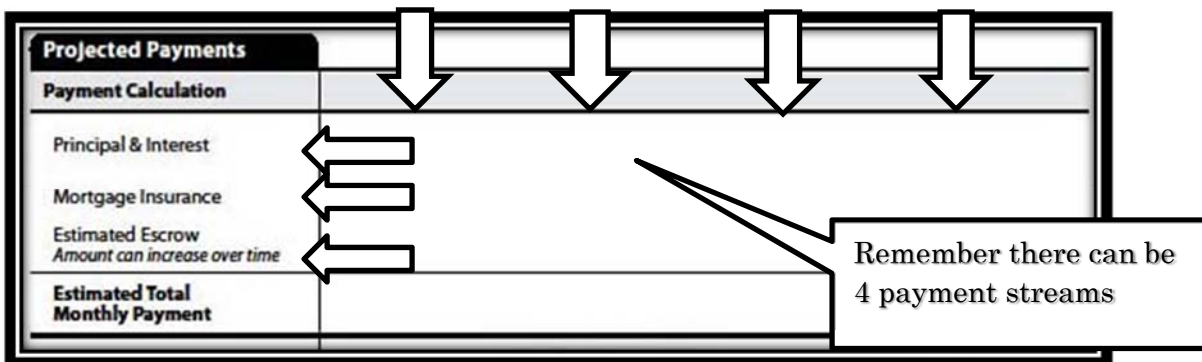
Estimated Escrow

Disclose the amount the consumer will pay into an escrow account each month under the terms of the legal obligation. (§ 1026.37(c)(2)(iii)) Use a rounded number. (§ 1026.37(o)(4)(ii)) If an escrow account will not be established, disclose “0.” Disclose “—” if there will be an escrow account, but the escrow account will be closed during the time-frame attributable to the applicable Periodic Payment. (Comment 37(c)(2)(iii)-1)

Estimated Total Monthly Payment

For each column, disclose the sum of the Principal & Interest, Mortgage Insurance, and

Estimated Escrow as Estimated Total Monthly Payment. (§ 1026.37(c)(2)(iv)) The amount is rounded if any of the component amounts are rounded. (§ 1026.37(o)(4)(i)(C))

[22] Itemization (page 1, Projected Payments) - High**Y&A Completion Instruction**

For each of the four potential projected payment streams, the processor must disclose the amount of the payment. It will be principal and interest or interest only, as appropriate. Also included are any amounts for mortgage insurance and escrow. The disclosure should contain the maximum and minimum payment possible for each payment stream (generally for ARM loans). For negative amortization loans, the payment schedule is based on the highest principal balance that the loan could reach, based on the note terms and conditions.

Audit: What You are Looking For

Determine that the loan has the correct number of payment streams, and each itemization of each stream is correct. The auditor must determine if they wish to recalculate and verify all amounts that appear in the itemization. The total payment or the range of total payment must be rounded.

Regulatory Text § 1026.37(c)(2)

- (2) **Itemization.** Each separate periodic payment or range of payments disclosed on the table required by this paragraph (c) shall be itemized as follows:
- (i) The amount payable for principal and interest, labeled **“Principal & Interest,”** including the term **“only interest”** if the payment or range of payments includes any interest only payment:
 - (A) In the case of a loan that has an adjustable interest rate, the maximum principal and interest payment amounts are determined by assuming that the interest rate in effect throughout the loan term is the maximum possible interest rate, and the minimum amounts are determined by assuming that the interest rate in effect throughout the loan term is the minimum possible interest rate;

- (B) In the case of a loan that has an adjustable interest rate and also contains a negative amortization feature, the maximum principal and interest payment amounts after the end of the period of the loan's term during which the loan's principal balance may increase due to the addition of accrued interest are determined by assuming the maximum principal amount permitted under the terms of the legal obligation at the end of such period, and the minimum amounts are determined pursuant to paragraph (c)(2)(i)(A)];
- (ii) The maximum amount payable for mortgage insurance premiums corresponding to the principal and interest payment disclosed pursuant to paragraph (c)(2)(i) of this section, labeled **"Mortgage Insurance"**;
- (iii) The amount payable into an escrow account to pay some or all of the charges described in paragraph (c)(4)(ii), as applicable, labeled **"Escrow,"** together with a statement that the amount disclosed can increase over time; and
- (iv) The total periodic payment, calculated as the sum of the amounts disclosed pursuant to paragraphs (c)(2)(i) through (iii) of this section, labeled **"Total Monthly Payment."**

Regulatory Commentary

37(c)(2) Itemization.

Paragraph 37(c)(2)(i).

1. **General rule for adjustable rate loans.** For an adjustable rate loan, in disclosing the maximum possible payment for principal and interest under § 1026.37(c), the creditor assumes that the interest rate will rise as rapidly as possible after consummation, taking into account the terms of the legal obligation, including any applicable caps on interest rate adjustments and lifetime interest rate cap. For a loan with no lifetime interest rate cap, the maximum rate is determined by reference to other applicable laws, such as State usury law. In disclosing the minimum payment for purposes of § 1026.37(c), the creditor assumes that the interest rate will decrease as rapidly as possible after consummation, taking into account any introductory rates, caps on interest rate adjustments, and lifetime interest rate floor. For an adjustable rate loan based on an index that has no lifetime interest rate floor, the minimum interest rate is equal to the margin.
2. **Special rule for adjustable rate loans with negative amortization features.** Section 1026.37(c)(2)(i)(B) provides a special rule for calculation of the maximum principal and interest payment in an adjustable rate loan that contains a negative amortization feature. That section provides that the maximum amounts payable for principal and interest after the negative amortization period ends are calculated using the maximum principal amount permitted under the terms of the legal obligation at the end of the negative amortization period. See section § 1026.37(c)(1)(i)(A) and associated commentary for guidance regarding when the negative amortization period ends for purposes of § 1026.37(c)(2). For example, if the maximum principal balance for the last payment in the negative amortization period is achieved at an interest rate that is not the maximum interest rate permitted under the terms of the legal obligation before the negative amortization period ends, future events requiring disclosure of additional, separate periodic payments or ranges of payments assume that the interest rate in

effect at the end of the negative amortization period was such interest rate, and not the maximum possible interest rate. After the end of the negative amortization period, the general rule under § 1026.37(c)(2)(i)(A) regarding assumptions of interest rate changes for the maximum principal and interest payment to be disclosed applies from such interest rate. The minimum payment in an adjustable rate loan that contains a negative amortization feature is determined pursuant to the general rule under § 1026.37(c)(2)(i)(A).

3. **Disclosure of balloon payment amounts.** Although the existence of a balloon payment is determined pursuant to § 1026.37(b)(5) and its commentary (see comment 37(c)(1)(i)(B)-1), balloon payment amounts to be disclosed under § 1026.37(c) are calculated in the same manner as periodic principal and interest payments under § 1026.37(c)(2)(i). For example, for a balloon payment amount that can change depending on previous interest rate adjustments that are based on the value of an index at the time of the adjustment, the balloon payment amounts are calculated using the assumptions for minimum and maximum interest rates described in § 1026.37(c)(2)(i) and its commentary, and should be disclosed as a range of payments.

Paragraph 37(c)(2)(ii).

1. **Mortgage insurance disclosure.** Mortgage insurance premiums should be reflected on the disclosure required by § 1026.37(c) even if no escrow account is established for the payment of mortgage insurance premiums. If the consumer is not required to purchase mortgage insurance or any functional equivalent, the creditor discloses the mortgage insurance premium amount as “0.” If the creditor is disclosing the automatic termination or the absence of mortgage insurance or any functional equivalent under applicable law or the absence of mortgage insurance or any functional equivalent after coverage has terminated, the creditor discloses the mortgage insurance premium as “-.”
2. **Relationship to principal and interest disclosure.** The creditor discloses mortgage insurance premiums pursuant to § 1026.37(c)(2)(ii) on the same periodic basis that payments for principal and interest are disclosed pursuant to § 1026.37(c)(2)(i), even if mortgage insurance premiums are actually paid on some other periodic basis. If no escrow account for the payment of some or all such charges will be established, the creditor discloses the mortgage insurance premium as “0.”

Paragraph 37(c)(2)(iii).

1. **Escrow disclosure.** The disclosure described in § 1026.37(c)(2)(iii) required only if the creditor will establish an escrow account for the payment of some or all of the charges described in § 1026.37(c)(4)(ii).

CFPB Guide

Show in one column the initial Periodic Payment (or range of payments if required) for each of Principal & Interest, Mortgage Insurance, and Estimated Escrow. (§ 1026.37(c)(1)) Depending on the features of the loan, subsequent periodic payments also may be required to be disclosed. The Periodic Payment is the regularly scheduled payment of Principal & Interest, Mortgage Insurance, and Estimated Escrow. (Comment 37(c)(1)(i)-1)

Initial Periodic Payment

To calculate the initial Periodic Payment, use the interest rate that will apply at closing, including any initial discounted or premium interest rate. If the interest rate at closing is not known, such as for an adjustable rate loan without an introductory fixed rate period, use the fully-indexed rate to determine the initial Periodic Payment. (Comment 37(c)(1)(i)-2)

If the consumer's periodic payments will remain constant over the life of the loan, such as in a fixed rate, fixed payment loan without mortgage insurance, the Projected Payments table has just one column.

Subsequent Periodic Payments

If any of the triggering events listed below may occur during the life of the loan, add a column to show the amount of the periodic payments after the triggering event. (§ 1026.37(c)(1)(i)):

- The Principal & Interest amount or range of such amount may change (for example if the loan has an adjustable rate). (§ 1026.37(c)(1)(i)(A)) Negative Amortization – for loans that have a Negative Amortization feature, the Principal & Interest amount may change when the Negative Amortization period ends under the terms of the legal obligation, meaning the consumer must begin making payments that do not result in an increase of the principal balance. (Comment 37(c)(1)(i)(A)-2)
- Interest Only – for Interest Only loans, the Principal & Interest amount may change when the Interest Only period ends, meaning the consumer must begin making payments that do not defer repayment of principal. (Comment 37(c)(1)(i)(A)-3)
- Minor Periodic Payment variations resulting solely from the fact that months have different numbers of days are not triggering events. (Comment 37(c)(1)(i)(A)-1)
- Adjustable Rate loans – the Projected Payments table will have a new column, up to a maximum of four columns, for each scheduled rate adjustment. Because the Principal & Interest amount may change each time the rate is scheduled to adjust, a new column is required, up to a maximum of four columns. There is a new column, up to a maximum of four columns, even if the range of payments will stay the same. For example, there is a new column, up to a maximum of four columns, even when the range will stay the same because the range is the minimum and maximum interest rate caps listed in the contract. (Comment 37(c)(1)(i)(A)-1)
- There is a scheduled Balloon Payment. (§ 1026.37(c)(1)(i)(B))

The lender must automatically terminate Mortgage Insurance or any functional equivalent. (§ 1026.37(c)(1)(i)(C)) Even if the borrower may cancel the insurance earlier, use the date on which the lender must automatically terminate Mortgage Insurance coverage under applicable law. Only termination of Mortgage Insurance is a triggering event, while a decline in Mortgage Insurance premiums is not. (Comment 37(c)(1)(i)(C)-3)

However, if there are already four columns, and Mortgage Insurance would terminate during the range disclosed in the fourth column, no automatic termination of Mortgage Insurance is disclosed on the Projected Payments table. (§ 1026.37(c)(1)(ii)(b))

For a column that contains a range of payments, show both a minimum and maximum payment using rounded dollar amounts. (§ 1026.37(c)(1)(iii), (o)(4)(ii)) For an Adjustable Rate loan, use the maximum and minimum interest rates that could apply such as through an interest rate cap. (Comment 37(c)(1)(iii)(C)-1)

Ranges of payments are required only for the Principal & Interest amount and the Estimated Total Monthly Payment. Do not show a range of payments for Mortgage Insurance or Estimated Escrow. (Comment 37(c)(1)(iii)-1)

For a column that contains a range of payments, show both a minimum and maximum payment using rounded dollar amounts. (§ 1026.37(c)(1)(iii), (o)(4)(ii)) For an Adjustable Rate loan, use the maximum and minimum interest rates that could apply such as through an interest rate cap. (Comment 37(c)(1)(iii)(C)-1)

Ranges of payments are required only for the Principal & Interest amount and the Estimated Total Monthly Payment. Do not show a range of payments for Mortgage Insurance or Estimated Escrow. (Comment 37(c)(1)(iii)-1)

[23] Subheadings (page 1, Projected Payments) - Low

Y&A Completion Instruction

All of the subheadings will actually appear as boilerplate items on the Loan Estimate. These subheadings should not require the processor to “do” anything.

Audit: What You are Looking For

This instruction requires that all of the boilerplate headings be correct. As long as the institution is using the Loan Estimate format, the audit response to this instruction will always be “correct.”

Regulatory Text § 1026.37(c)(3)

(3) Subheadings.

- (i) The labels required pursuant to paragraph (c)(2) of this section must be listed under the subheading **“Payment Calculation.”**
- (ii) Except as provided in paragraph (c)(3)(iii) of this section, each separate periodic payment or range of payments to be disclosed under this paragraph (c) must be disclosed under a subheading that states the years of the loan during which that payment or range of payments will apply. The subheadings must be stated in a sequence of whole years from the due date of the initial periodic payment.
- (iii) A balloon payment that is scheduled as a final payment under the terms of the legal obligation must be disclosed under the subheading **“Final Payment.”**

Regulatory Commentary

37(c)(3) Subheadings.

Paragraph 37(c)(3)(ii).

1. **Years.** *Section 1026.37(c)(3)(ii) requires that each separate periodic payment or range of payments be disclosed under a subheading that states the years during which that payment or range of payments will apply and that such subheadings be stated in a sequence of whole years from the due date of the initial periodic payment. Therefore, for purposes of § 1026.37(c), “year” is defined as the twelve-month interval beginning on the due date of the initial periodic payment, and the next whole year begins each anniversary thereafter. If an event requiring the disclosure of an additional separate periodic payment or range of payments occurs on a date other than the anniversary of the due date of the initial periodic payment, and no other events occur during that single year requiring disclosure of multiple events under § 1026.37(c)(1)(iii)(B), such event is disclosed beginning in the next year in the sequence, because the separate periodic payment or range of payments that applied during the previous year will also apply during a portion of that year. For example:*

- i. Assume a fixed rate loan with a term of 124 months (10 years, four months). The creditor would label the disclosure of periodic payments as **"Years 1-11."**
 - ii. Assume a loan with a 30-year term that does not require mortgage insurance and requires interest only payments for the first 60 months from the due date of the initial periodic payment, then requires fixed, fully amortizing payments of principal and interest beginning at the 61st month for the duration of the loan, the creditor would label the first disclosure of periodic payments as **"Years 1-5"** (including the term "only interest" pursuant to § 1026.37(c)(2)(i)) and the second disclosure of periodic payments or range of payments as **"Years 6-30."** If that loan requires interest only payments for the first 54 months from the due date of the initial periodic payment, then requires fixed, fully amortizing payments of principal and interest for the duration of the loan, because the change in the periodic payment occurs on a date other than the anniversary of the due date of the initial periodic payment and the previous payment applies during that year, the creditor would likewise label the first disclosure of periodic payments as **"Years 1-5"** (including the term **"only interest"** pursuant to § 1026.37(c)(2)(i)) and the second disclosure of periodic payments or range of payments as **"Years 6-30."** If the loan that requires interest only payments for the first 54 months also requires mortgage insurance that would automatically terminate under applicable law after the 100th month from the due date of the initial periodic payment, the creditor would label the first disclosure of periodic payments as **"Years 1-5"** (including the term "only interest" pursuant to § 1026.37(c)(2)(i)), the second disclosure of periodic payments or range of payments as **"Years 6-9,"** and the third disclosure of periodic payments or range of payments as **"Years 10-30."**
2. **Loans with variable terms.** If the loan term may increase based on an adjustment of the interest rate, the creditor must disclose the maximum loan term possible under the legal obligation. To calculate the maximum loan term, the creditor assumes that the interest rate rises as rapidly as possible, taking into account the terms of the legal obligation, including any applicable caps on interest rate adjustments and lifetime interest rate cap. See comment 37(a)(8)-2.

CFPB Guide

None.

[24] Taxes, Insurance, and Assessments (page 1, Projected Payments) - Moderate

Estimated Taxes, Insurance & Assessments Amount can increase over time	This estimate includes <input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs separately.</small>	In escrow? You must pay for other
--	---	---

Total monthly amount for taxes, insurance and escrow goes here.

Indicate in these check boxes whether the total amount to the left includes these items.

Indicate in this column if the taxes, insurance and other items are being escrowed. If some of the items include in "other" are being escrowed, enter "some."

Y&A Completion Instruction

All financial institutions, whether they offer escrow services or not, are required to complete this portion of the form. It explains, or perhaps reminds, the consumer of their obligation to pay taxes and insurance, as well as other items related to the property, even if they are not establishing an escrow account. The amounts are expressed based on a monthly basis, not an annual basis. The processor completes this information using the best information available, understanding that this information may be inaccurate, especially for construction loans or division of land loans.

If the disclosure is for a construction loan, or a home improvement loan that will substantially increase the home's value, the amount(s) listed in this section must be based on the finished product. For instance, for taxes, the amount shown here will be based on the tax bill that will be due when construction is completed, not on the vacant lot.

This section also requires an indication as to whether any of the amounts included are going to be paid through an escrow account. It is possible that only a portion of the "other" category is going to have an escrow account established. Should that occur, then the answer to the escrow question is "some." Otherwise, the answer to the escrow question is either "yes" or "no."

Audit: What You are Looking For

This instruction requires that the applicant be informed regarding all amounts due for taxes, insurance, homeowners association dues, etc. These amounts are expressed as a monthly amount due. If all or a portion of the loan is to improve the underlying real estate (for instance, a construction loan), the amounts quoted must be based on the "finished product," i.e. after the home is built, taxed, and insured. There is more detail regarding this in the next instruction, regulatory

text, and commentary. Note: If this section only contains taxes and insurance, and the applicant has elected to escrow, the total monthly amount in Section G and the total monthly dollar amount listed in this location must match. Even if the information provided (especially on the first Loan Estimate) is inaccurate, do not criticize the institution. If you are auditing a later Loan Estimate, where it is clear more accurate information is available, you might consider that availability. The total amount must be rounded.

The auditor must determine if the most recent and available data was used. Even on the very first Loan Estimate, correct data, when available, must be used.

Regulatory Text § 1026.37(c)(4)

- (4) **Taxes, insurance, and assessments.** Under the information required by paragraphs (c)(1) through (3) of this section:
- (i) The label “**Taxes, Insurance & Assessments**”;
 - (ii) The sum of the charges identified in § 1026.43(b)(8), other than amounts identified in § 1026.4(b)(5), expressed as a monthly amount, even if no escrow account for the payment of some or any of such charges will be established;
 - (iii) A statement that the amount disclosed pursuant to paragraph (c)(4)(ii) of this section can increase over time;
 - (iv) A statement of whether the amount disclosed pursuant to paragraph (c)(4)(ii) of this section includes payments for property taxes, amounts identified in § 1026.4(b)(8), and other amounts described in paragraph (c)(4)(ii) of this section, along with a description of any such other amounts, and an indication of whether such amounts will be paid by the creditor using escrow account funds;
 - (v) A statement that the consumer must pay separately any amounts described in paragraph (c)(4)(ii) of this section that are not paid by the creditor using escrow account funds; and
 - (vi) A reference to the information disclosed pursuant to paragraph (g)(3) of this section.

Regulatory Commentary

Paragraph 37(c)(4)(ii).

1. **Definition of taxes, insurance, and assessments.** See the commentary under § 1026.43(b)(8) for guidance on the charges that are included in taxes, insurance, and assessments for purposes of § 1026.37(c)(4)(ii), except that the portion of that commentary related to amounts identified in § 1026.4(b)(5) is inapplicable to the disclosure required by § 1026.37(c)(4)(ii).

Paragraph 37(c)(4)(iv).

1. **Description of other amounts.** Section 1026.37(c)(4)(iv) requires the creditor to disclose a statement of whether the amount disclosed pursuant to § 1026.37(c)(4)(ii) includes payments

for property taxes, amounts identified in § 1026.4(b)(8) (homeowner's insurance premiums), and other amounts described in § 1026.37(c)(4)(ii), along with a description of any such other amounts. If the amount disclosed pursuant to § 1026.37(c)(4)(ii) requires the creditor to disclose a description of more than one amount other than amounts for payment of property taxes or homeowner's insurance premiums, the creditor may disclose a descriptive statement of one such amount along with an indication that additional amounts are also included, such as by using the phrase "and additional costs."

- 2. Amounts paid by the creditor using escrow account funds. Section 1026.37(c)(4)(iv) requires the creditor to disclose an indication of whether the amounts disclosed under § 1026.37(c)(4)(ii) will be paid by the creditor using escrow account funds. If only a portion of the amounts disclosed under § 1026.37(c)(4)(ii), including, without limitation, property taxes, homeowner's insurance, and assessments, will be paid by the creditor using escrow account funds, the creditor may indicate that only a portion of the amounts disclosed will be paid using escrow account funds, such as by using the word "some."**

CFPB Guide

As Estimated Taxes, Insurance & Assessments, disclose the total monthly amount due for Property Taxes, Homeowner's Insurance, charges imposed by a cooperative, condominium or homeowners association; ground rent; leasehold payments; and certain insurance premiums or charges if required by the lender. (§§ 1026.37(c)(4)(ii), 1026.43(b)(8)) Disclose Estimated Taxes, Insurance & Assessments as a rounded number. (§ 1026.37(o)(4)(i))

Homeowner's Insurance is any insurance against loss or damage, or against liability arising out of the property. (§§ 1026.4(b)(8), 1026.37(c)(4)(ii)) The insurance premiums included as Estimated Taxes, Insurance & Assessments are for credit life, accident, health, or loss-of-income insurance; insurance against loss of or damage to property, or against liability arising out of the ownership or use of property; and debt cancellation or debt suspension coverage. (§§ 1026.4(b)(7), (8), (10), 1026.37(c)(4)(ii)) Homeowner's Insurance includes Flood Insurance (§ 1026.37(c)(4)(ii); § 1026.43(b)(8))

To calculate Property Taxes, Homeowner's Insurance, and other insurance premiums, use the taxable assessed value of the real property securing the transaction after consummation, including the value of any improvements or construction, to the extent known, and the replacement costs of the property over the first year. (§ 1026.37(c)(5))

Include these amounts as Estimated Taxes, Insurance & Assessments even if an escrow account will not be established under the terms of the legal obligation.

If the time period disclosed is not monthly, use the appropriate term to reflect the fact that the transaction's terms provide for other than monthly period payments, such as bi-weekly or quarterly payments. (§ 1026.37(o)(5)(i); Comment 37(o)(5)-4) For example, if the legal obligation calls for biweekly payments, the Estimated Taxes, Insurance and Assessments must be disclosed as a biweekly payment amount. However, if the legal obligation calls for monthly payments, the Estimated Taxes, Insurance and Assessments must be disclosed as a monthly amount.

By the use of checkboxes, disclose if Property Taxes, Homeowner's Insurance, or Other required charges will be paid from an escrow account established under the terms of the legal obligation under the heading "This estimate includes". When applicable, describe briefly the type of charge to the right of the word "Other". If there is more than one Other charge, disclose one type and the phrase and additional charges. (Comment 37(c)(4)(iv)-1)

Under a heading of In Escrow?: disclose Yes when an escrow account will be established that will pay the item; or disclose No when an escrow account will not be established under the terms of the legal obligation for Property Taxes, Homeowner's Insurance, and Other. If more than one item is disclosed as Other, disclose Yes, Some when one item is included and another is not. (Comment 37(c)(4)(iv)-2)

[25] Calculation of Taxes and Insurance (Projected Payments) - Moderate

Y&A Completion Instruction

This instruction requires that the applicant be informed regarding all amounts due for taxes, insurance, homeowners association dues, etc. These amounts are expressed as a monthly amount due. The requirement is that these amounts be based on the “finished product.” So all amounts listed here would be based on the completed home, not the vacant lot.

Audit: What You are Looking For

This instruction requires that the applicant be informed regarding all amounts due for taxes, insurance, homeowners association dues, etc. These amounts are expressed as a monthly amount due. The requirement is that these amounts be based on the “finished product.” The auditor must review any amounts that are estimates to assure that any estimate (when required) is reasonable. The total number must be rounded.

Regulatory Text § 1026.37(c)(5)

(5) Calculation of taxes and insurance. For purposes of paragraphs (c)(2)(iii) and (4)(ii) of this section, estimated property taxes and homeowner’s insurance shall reflect:

- (i) The taxable assessed value of the real property or cooperative unit securing the transaction after consummation, including the value of any improvements on the property or to be constructed on the property, if known, whether or not such construction will be financed from the proceeds of the transaction, for property taxes; and**
- (ii) The replacement costs of the property during the initial year after the transaction, for amounts identified in § 1026.4(b)(8).**

Regulatory Commentary

None.

CFPB Guide

See Instruction 24.

Section 5: Costs at Closing

12 CFR § 1026.37(d)

General Language § 1026.37(d)

Y&A Comments:

There are two potential “**Costs at Closing**” tables. Within this manual, we are only including the more complex of the two, which appears to be the version chosen by the software vendors.

Regardless of the table used, it simply totals that amounts required to close the loan. Every amount comes from a table or field located elsewhere in the disclosure.

[26] Costs at Closing Table (page 1, Costs at Closing) - Low

Costs at Closing	
Estimated Closing Costs	Includes in Lender Credits. See page 2 for details.
Estimated Cash to Close	Includes Closing Costs. See Calculating Cash to Close on page 2 for details. <input type="checkbox"/> From <input type="checkbox"/> To Borrower

Total estimated closing costs appear here

Total loan costs appear here

Total other costs appear here

Total lender credits appear here

Y&A Completion Instruction

The processor completes this section by completing page two of the Loan Estimate. The first line totals the estimated closing costs. All totals appear as shown above. Every amount used in the calculation comes from a table or field located elsewhere in the disclosure.

Audit: What You are Looking For

This instruction requires that certain amounts from page two of the Loan Estimate be shown on page one for the purpose of being more prominent. The auditor determines the correctness of these amounts by assuring that the appropriate amounts from page two are correctly placed in this section.

Regulatory Text § 1026.37(d)(1)

(1) Costs at closing table. In a separate table, under the heading **“Costs at Closing”**:

- (i) Labeled **“Closing Costs,”** the dollar amount disclosed pursuant to paragraph (g)(6) of this section, together with:
 - (A) A statement that the amount disclosed pursuant to paragraph (d)(1)(i) of this section includes the amounts disclosed pursuant to paragraphs (f)(4), (g)(5), and (g)(6)(ii);
 - (B) The dollar amount disclosed pursuant to paragraph (f)(4) of this section, labeled **“Loan Costs”**;
 - (C) The dollar amount disclosed pursuant to paragraph (g)(5) of this section, labeled **“Other Costs”**;
 - (D) The dollar amount disclosed pursuant to paragraph (g)(6)(ii) of this section, labeled **“Lender Credits”**; and

- (E) A statement referring the consumer to the tables disclosed pursuant to paragraphs (f) and (g) of this section for details.

Costs	Closing
Estimated Closing Costs	Includes _____ in Loan Costs + _____ in Other Costs – _____ in Lender Credits. See page 2 for details.
Estimated Cash to Close	Includes Closing Costs. See Calculating Cash to Close on page 2 for details. <input type="checkbox"/> From <input type="checkbox"/> To Borrower

Place Estimated Cash to Close from page 2 here.

Indicate whether the cash must come from the consumer or to the consumer.

Regulatory Text

- (ii) Labeled “**Cash to Close**,” the dollar amount calculated in accordance with paragraph (h)(1)(viii) of this section, together with:
- (A) A statement that the amount includes the amount disclosed pursuant to paragraph (d)(1)(i) of this section, and
- (B) A statement referring the consumer to the location of the table required pursuant to paragraph (h) of this section for details.

Regulatory Commentary

None.

CFPB Guide

Estimated Closing Costs are calculated in the same manner as the Total Closing Costs disclosed on page 2 of the Loan Estimate. (see section 2.3.1 below)

The Estimated Closing Costs are also itemized to show from page 2 of the Loan Estimate:

- The total of the Loan Costs table,
- The total of the Other Costs table, and
- Lender Credits in the Total Closing Costs subheading. (§ 1026.37(d)(1)(i))

The estimated amount of cash the consumer will be expected to pay at closing is also shown as Estimated Cash to Close. This amount is the same as the Estimated Cash to Close, from the Calculating Cash to Close table on page 2 of the Loan Estimate. (§ 1026.37(d)(1)(ii))

[27] Optional Alternative Table for Transactions Without a Seller (page 1, Costs at Closing) - Low

Y&A Completion Instruction

We have elected not to include much information regarding the optional table. There is very little difference from the table above, and like the original table, all of the amounts come from other locations on the disclosure. This disclosure may be used for a subordinate lien financing of a purchase. See the commentary below for additional information.

Audit: What You are Looking For

This instruction requires that certain amounts from page two of the Loan Estimate be shown on page one for the purpose of being more prominent. The auditor determines the correctness of these amounts by assuring that the appropriate amounts from page two are correctly placed in this section.

Regulatory Text § 1026.37(d)(2)

(2) Optional alternative table for transactions without a seller or for simultaneous subordinate financing. For transactions that do not involve a seller or for simultaneous subordinate financing, instead of the amount and statements described in paragraph (d)(1)(ii) of this section, the creditor may alternatively disclose, using the label “Cash to Close”:

- (i) The amount calculated in accordance with paragraph (h)(2)(iv) of this section;**
- (ii) A statement of whether the disclosed estimated amount is due from or to the consumer; and
- (iii) A statement referring the consumer to the alternative table disclosed pursuant to paragraph (h)(2) of this section for details.

Regulatory Commentary

37(d)(2) Optional alternative table for transactions without a seller or for simultaneous subordinate financing.

1. Optional use. The optional alternative disclosure of the estimated cash to close provided for in § 1026.37(d)(2) may be used by a creditor only in a transaction without a seller or a simultaneous subordinate financing transaction. In a purchase transaction, the optional alternative disclosure may be used for the simultaneous subordinate financing Loan Estimate only if the first-lien Closing Disclosure will record the entirety of the seller’s transaction. Creditors may only use this alternative estimated cash to close disclosure in conjunction with the alternative disclosure under § 1026.37(h)(2).

2. Method of indication. *The indication of whether the estimated cash is either due from or payable to the consumer can be made by the use of check boxes as shown in form H-24(D) of appendix H to this part.*

CFPB Guide

For transactions without a seller, an Alternative Costs at Closing table shown as Figure 6 (together with an Alternative Calculating Cash to Close table on page 2 of the Loan Estimate shown later in Figure 20) can be used in place of the Costs at Closing table shown in Figure 5 above. Similarly, an Alternative Costs at Closing table and an Alternative Calculating Cash to Close table can be used in place of the Costs at Closing table shown in Figure 5 for a simultaneous subordinate lien loan in a purchase transaction if the Closing Disclosure for the first lien loan will disclose the entirety of the seller's transaction. (§ 1026.37(d)(2) and (h)(2))

The Alternative Costs at Closing table contains a variation that places checkboxes with Estimated Cash to Close in order to indicate whether the cash is due from or to the consumer. (Comment 37(d)(2)-2) If the Alternative Costs at Closing table is used, then the Alternative Calculating Cash to Close on page 2 of the Loan Estimate also must be used. (Comment 37(d)(2)-1)

Section 6: Web Site Reference

12 CFR § 1026.37(e)

[28] Web Site Reference (page 1, Bottom) - Low



Y&A Completion Instruction

This language is boilerplate on the bottom of the first page of the disclosure. No action on the processor's part is required.

Audit: What You are Looking For

This instruction requires specific language be disclosed regarding a web site established by the CFPB. It is likely that this disclosure will be boilerplate, so this is very likely to be correct.

Regulatory Text § 1026.37(e)

(e) **Web site reference.** A statement that the consumer may obtain general information and tools at the Web site of the CFPB, and the link or uniform resource locator address to the Web site: www.consumerfinance.gov/mortgage-estimate.

Regulatory Commentary

None.

CFPB Guide

None.

Section 7: Closing Cost Details

12 CFR § 1026.37(f)

General Language

Y&A Commentary

This section is the “good faith estimate” section of the disclosure. See the section below regarding construction fees for additional information.

Regulatory Text § 1026.37(f)

- (f) **Closing cost details; loan costs.** Under the master heading “Closing Cost Details,” in a table under the heading “Loan Costs,” all loan costs associated with the transaction. The table shall contain the items and amounts listed under four subheadings, described in paragraphs (f)(1) through (4) of this section.

Regulatory Commentary

37(f) Closing cost details; loan costs.

1. ***General description.*** The items disclosed under § 1026.37(f) include services that the creditor or mortgage broker require for consummation, such as underwriting, appraisal, and title services.
2. ***Mortgage broker.*** Commentary under § 1026.19(e)(1)(ii) discusses the requirements and responsibilities of mortgage brokers that provide the disclosures required by § 1026.19(e), which include the disclosures set forth in § 1026.37(f).
3. ***Construction loan inspection and handling fees.*** Inspection and handling fees for the staged disbursement of construction loan proceeds, including draw fees, are loan costs associated with the transaction for purposes of § 1026.37(f). If inspection and handling fees are collected at or before consummation, the total of such fees is disclosed in the loan costs table. If inspection and handling fees will be collected after consummation, the total of such fees is disclosed in a separate addendum and the fees are not counted for purposes of the calculating cash to close table. See comment 37(f)(6)-3 for a description of an addendum used to disclose inspection and handling fees that will be collected after consummation. See also comments 38(f)-2 and app. D-7.vii. If the number of inspections and disbursements is not known at the time the disclosures are provided, the creditor discloses the fees that will be collected based on the best information reasonably available to the creditor at the time the disclosure is provided. See comment 19(e)(1)(i)-1. See § 1026.17(e) and its commentary for an explanation of the effect of subsequent events that cause inaccuracies in disclosures.

CFPB Guide

Up to four main categories of costs are disclosed on page 2 of the Loan Estimate:

1. A good-faith itemization of the Loan Costs and Other Costs associated with the loan. (§ 1026.37(f) and (g))
2. A Calculating Cash to Close table that shows how the amount of cash needed at closing is calculated. (§ 1026.37(h))
3. For transactions with adjustable monthly payments, an Adjustable Payments (AP) Table with relevant information about how the monthly payments will change. (§ 1026.37(i))
4. For transactions with adjustable interest rates, an Adjustable Interest Rate (AIR) Table with relevant information about how the interest rate will change. (§ 1026.37(j))

The items associated with the mortgage are broken down into two general types, Loan Costs and Other Costs. Generally, Loan Costs are those costs paid by the consumer to the creditor and third-party providers of services the creditor requires to be obtained by the consumer during the origination of the loan. (§ 1026.37(f)) Other Costs include taxes, governmental recording fees, and certain other payments involved in the real estate closing process. (§ 1026.37(g))

Items that are a component of title insurance or are for conducting the closing must include the introductory description of Title –. (§§ 1026.37(f)(2)(i), (g)(4)(i))

If State law requires additional disclosures, those additional disclosures are made on a document whose pages are separate from, and not presented as part of, the Loan Estimate. (Comments 37(f)(6)-1, 37(g)(8)-1)

The amounts disclosed in the Loan Costs and Other Costs table are rounded to the nearest whole dollar. The daily amount of Prepaid Interest and the monthly amounts for the items in the Initial Escrow Payment at Closing are rounded or truncated to the nearest whole cent. (§ 1026.37(o)(4); Comment 37(o)(4)(i)(A)-1)

The Loan Costs and Other Costs tables are further broken down in the next subsection.

Loan Costs are disclosed in three subheadings, each of which is subtotaled: Information about allocating Loan Costs when disclosing a construction-permanent loan as two separate transactions is available in Section 14.4 of the Compliance Guide. Information on disclosing construction inspection fees and similar construction loan fees is available in Section 14.18 of the Compliance Guide.

- Origination Charges,
- Services You Cannot Shop For, and
- Services You Can Shop For.

Disclose the sum of these three subtotals as Total Loan Costs. (§ 1026.37(f))

[29] Origination Charges (page 2, Loan Costs [A]) - High

Closing Cost Details

Loan Costs

A. Origination Charges

% of Loan Amount (Points)

13 lines are available

Y&A Completion Instruction

The processor must include all charges anticipated to be paid to the creditor and/or mortgage broker. This section also includes any Loan Level Price Adjustments that are paid to third parties. All fees in this section must be correct. There is no tolerance for errors, although changes can be made in Section A should there be a change necessary due to an interest rate lock that occurs after the Loan Estimate is issued, or a loan level price adjustment that was not anticipated. These would be a changed circumstance, and require a new Loan Estimate.

Should the application require a change of loan products, Section A can also be redisclosed, based on the new product. See changed circumstances for additional information.

Points paid to the creditor and/or mortgage broker are listed first. Any line item that does not contain a dollar amount, other than the points line, must remain blank. Additional lines on an addendum are not permitted. Entries, other than points, must be in alphabetical order.

Audit: What You are Looking For

The auditor must determine that all charges anticipated to be paid to the creditor and/or mortgage broker are included and correct. If there are any changes to Section A in subsequent Loan Estimates, the auditor must assure that the changes are directly related to a changed circumstance. This section also includes any Loan Level Price Adjustments that are paid to third parties. Points paid to the creditor and/or mortgage broker are listed first, with no extraneous zeros. All dollar amounts are rounded to the nearest dollar. Everything (other than points) must be in alphabetical order.

Regulatory Text § 1026.37(f)(1)

- (1) **Origination charges.** Under the subheading “**Origination Charges**,” an itemization of each amount, and a subtotal of all such amounts, that the consumer will pay to each creditor and loan originator for originating and extending the credit.
- (i) The points paid to the creditor to reduce the interest rate shall be itemized separately, as both a percentage of the amount of credit extended and a dollar amount, and using the label “**__% of Loan Amount (Points).**” If points to reduce the interest rate are not paid, the disclosure required by this paragraph (f)(1)(i) must be blank.
- (ii) The number of items disclosed under this paragraph (f)(1), including the points disclosed under paragraph (f)(1)(i) of this section, shall not exceed 13.

Regulatory Commentary**37(f)(1) Origination charges.**

1. **Origination charges.** Charges included under the subheading “**Origination Charges**” pursuant to § 1026.37(f)(1) are those charges paid by the consumer to each creditor and loan originator for originating and extending the credit, regardless of how such fees are denominated. In accordance with § 1026.37(o)(4), the dollar amounts disclosed under § 1026.37(f)(1) must be rounded to the nearest whole dollar and the percentage amounts must be disclosed as an exact number up to two or three decimal places, except that decimal places shall not be disclosed if the percentage is a whole number. See comment 19(e)(3)(i)-3 for a discussion of when a fee is considered to be “paid to” a person. See § 1026.36(a) and associated commentary for a discussion of the meaning of “loan originator” in connection with limits on compensation in a consumer credit transaction secured by a dwelling.
2. **Indirect loan originator compensation.** Only charges paid directly by the consumer to compensate a loan originator are included in the amounts listed under § 1026.37(f)(1). Compensation of a loan originator paid indirectly by the creditor through the interest rate is not itemized on the Loan Estimate required by § 1026.19(e). However, pursuant to § 1026.38(f)(1), such compensation is itemized on the Closing Disclosure required by § 1026.19(f).
3. **Description of charges.** Other than for points charged in connection with the transaction to reduce the interest rate, for which specific language must be used, the creditor may use a general label that uses terminology that, under § 1026.37(f)(5), is consistent with § 1026.17(a)(1), clearly and conspicuously describes the service that is disclosed as an origination charge pursuant to § 1026.37(f)(1). Items that are listed under the subheading “**Origination Charges**” may include, for example, application fee, origination fee, underwriting fee, processing fee, verification fee, and rate-lock fee.
4. **Points.** If there are no points charged in connection with the transaction to reduce the interest rate, the creditor leaves blank the percentage of points used in the label and the dollar amount disclosed under § 1026.37(f)(1)(i).
5. **Itemization.** Creditors determine the level of itemization of “**Origination Charges**” that is appropriate under § 1026.37(f)(1) in relation to charges paid by the consumer to the creditor, subject to the limitations in § 1026.37(f)(1)(ii). For example, the following charges should be

itemized separately: compensation paid directly by a consumer to a loan originator that is not also the creditor; or a charge imposed to pay for a loan level pricing adjustment assessed on the creditor, which the creditor passes onto the consumer as a charge at consummation and not as an adjustment to the interest rate.

CFPB Guide

Origination Charges are items the consumer will pay to each creditor and loan originator for originating and extending credit. (§ 1026.37(f)(1))

First, include the amount paid, if any, by the consumer to the creditor to reduce the interest rate as both a percentage of the loan amount and a dollar amount. (§ 1026.37(f)(1)(i)) If no amount is paid by the consumer to the creditor to reduce the interest rate, then leave blank both the percentage of points stated in the label and the dollar amount. (Comment 37(f)(1)-4)

Any other items that the consumer will pay to the creditor and loan originator may also be disclosed, up to 13 individual items. (§ 1026.37(f)(1)(ii)) If there are more than 13 Origination Charges, disclose the total amount of the items that exceed 12 as Additional Charges. (§ 1026.37(f)(6)(i)) Describe the items, other than for points paid, using terminology that clearly and conspicuously describes the service that is disclosed. (Comment 37(f)(1)-3)

The following items should be itemized separately in the Origination Charges subheading:

- Compensation paid directly by a consumer to a loan originator that is **not** also the creditor; or
- Any charge imposed to pay for a loan level pricing adjustment (LLPA) assessed on the creditor that is passed on to the consumer as a cost at consummation and **not** as an adjustment to the interest rate. (Comment 37(f)(1)-5)

Only items paid directly by the consumer to compensate a loan originator are Origination Charges. Do not disclose compensation to a loan originator paid indirectly by a creditor through the interest rate on the Loan Estimate. (Comment 37(f)(1)-2) Also, if the LLPA is accounted for through the rate but not charged as a direct up-front fee, do not disclose the LLPA as a separately itemized Origination Charge.

[30] Services You Cannot Shop For (page 2, Loan Costs [B]) - High

B. Services You Cannot Shop For

13 lines are available

Bottom line is a “catch all” if items exceed 13. No addendum permitted.

Y&A Completion Instruction

The processor must list all charges for which the creditor will not allow the consumer to shop. Typically, these services do not appear on the service provider list. Items that might appear in Section B include appraisers, flood companies, credit bureaus, PMI companies, and perhaps other services. Any service that is title work related must begin with “Title – “ to assure that all title fees are grouped together. Lender title insurance premiums must be quoted without any simultaneous issue discount.

Thirteen lines are available for these fees. The last line is a “catch all” for any remaining items. No addendum is permitted. All lines that do not contain fees must remain completely blank.

As the creditor is not permitting shopping, there is no tolerance limit. All fees must either be accurate or high. Entries must be in alphabetical order.

Audit: What You are Looking For

The auditor must determine that all charges for which the creditor does not permit shopping are included in Section B. In order to add any fee, there must be a changed circumstance. The auditor should assure that these services do not appear on the service provider list. The auditor must also assure that any service that is title work related begins with “Title – “ to assure that all title fees are grouped together. There are 13 lines available for these fees. The last line is a “catch all” for any remaining items. No addendum is permitted. All lines that do not contain fees must remain completely blank. All items must be in alphabetical order, and all items are rounded to the nearest dollar.

Regulatory Text § 1026.37(f)(2)

- (2) **Services you cannot shop for.** Under the subheading “**Services You Cannot Shop For,**” an itemization of each amount, and a subtotal of all such amounts, the consumer will pay for settlement services for which the consumer cannot shop in accordance with §

1026.19(e)(1)(vi)(A) and that are provided by persons other than the creditor or mortgage broker.

- (i) For any item that is a component of title insurance or is for conducting the closing, the introductory description “**Title –**” shall appear at the beginning of the label for that item.
- (ii) The number of items disclosed under this paragraph (f)(2) shall not exceed 13.

Regulatory Commentary

37(f)(2) Services you cannot shop for.

1. **Services disclosed.** Items included under the subheading “**Services You Cannot Shop For**” pursuant to § 1026.37(f)(2) are for those services that the creditor requires in connection with the transaction that would be provided by persons other than the creditor or mortgage broker and for which the creditor does not permit the consumer to shop in accordance with § 1026.19(e)(1)(vi). Comment 19(e)(1)(vi)-1 clarifies that a consumer is not permitted to shop if the consumer must choose a provider from a list provided by the creditor. cOmment 19(e)(3)(i)-1 addresses determining good faith in providing estimates under § 1026.19(e), including estimates for services for which the consumer cannot shop. Comments 19(e)(3)(iv)-1 through -3 discuss limits and requirements applicable to providing revised estimates for services for which the consumer cannot shop.
2. **Examples of charges.** Examples of the services and amounts to be disclosed pursuant to § 1026.37(f)(2) might include an appraisal fee, appraisal management company fee, credit report fee, flood determination fee, government funding fee, homeowner’s association certification fee, lender’s attorney fee, tax status research fee, third-party subordination fee Title – closing protection letter fee, title – lender’s title insurance policy, and an upfront mortgage insurance fee, provided that the fee is charged at consummation and is not a prepayment of future premiums over a specific future time period or a payment into an escrow account. Government funding fees include a United States Department of Veterans Affairs or United States Department of Agriculture guarantee fee, or any other fee paid to a government entity as part of a governmental loan program, that is paid at consummation.
3. **Title insurance services.** The services required to be labeled beginning with “**Title –**” pursuant to § 1026.37(f)(2) or (3) are those required for the issuance of title insurance policies to the creditor in connection with the consummation of the transaction or for conducting the closing. These services may include, for example:
 - i. Examination and evaluation, based on relevant law and title insurance underwriting principles and guidelines, of the title evidence to determine the insurability of the title being examined and what items to include or exclude in any title commitment and policy to be issued;
 - ii. Preparation and issuance of the title commitment or other document that discloses the status of the title as it is proposed to be insured, identifies the conditions that must be met before the policy will be issued, and obligates the insurer to issue a policy of title insurance if such conditions are met;

- iii. *Resolution of underwriting issues and taking the steps needed to satisfy any conditions for the issuance of the policies;*
 - iv. *Preparation and issuance of the policy or policies of title insurance; and*
 - v. *Premiums for any title insurance coverage for the benefit of the creditor.*
4. ***Lender's title insurance policy.*** *Section 1026.37(f)(2) and (3) requires disclosure of the amount the consumer will pay for the lender's title insurance policy. However, an owner's title insurance policy that covers the consumer and is not required to be purchased by the creditor is only disclosed pursuant to § 1026.37(g). Accordingly, the creditor must quote the amount of the lender's title insurance coverage pursuant to § 1026.37(f)(2) or (3) as applicable based on the type of lender's title insurance policy required by its underwriting standards for that loan. The amount disclosed for the lender's title insurance policy pursuant to § 1026.37(f)(2) or (3) is the amount of the premium without any adjustment that might be made for the simultaneous purchase of an owner's title insurance policy. This amount may be disclosed as **"Title – Premium for Lender's Coverage,"** or in any similar manner that clearly indicates the amount of the premium disclosed pursuant to § 1026.37(f)(2) is for the lender's title insurance coverage. See comment 37(g)(4)-1 for a discussion of the disclosure of the premium for an owner's title insurance policy that covers the consumer.*

CFPB Guide

Services You Cannot Shop For are items provided by persons other than the creditor or mortgage broker that the consumer cannot shop for and will pay for at settlement. (§ 1026.37(f)(2)) Items listed as Services You Cannot Shop For must use terminology that describes each item, and disclose them in alphabetical order. (§ 1026.37(f)(5))

Services You Cannot Shop For might include:

- Appraisal fee,
- Appraisal management company fee,
- Credit report fee,
- Flood determination fee,
- Government funding fee (such as a VA or USDA guarantee fee, or any other fee paid to a government entity as part of a governmental loan program),
- Homeowner's association certification fee,
- Lender's attorney fee,
- Tax status search fee,
- Third-party subordination fee,
- Title – closing protection letter fee,
- Title – lender's title insurance policy, and

- An upfront mortgage insurance fee (unless the fee is a prepayment of future premiums or a payment into an escrow account). (Comment 37(f)(2)-2)

Describe services related to the issuance of title insurance policies with the word **Title** – at the beginning of the item. (Comment 37(f)(2)-3)

Items that are required for the issuance of title insurance policies may include:

- Examination and evaluation of title evidence to determine the insurability of the title being examined and what items to include or exclude in any title commitment and policy to be issued,
- Preparation and issuance of the title commitment or other document that discloses the status of title, identifies the conditions that must be met before the policy will be issued, and obligates the insurer to issue a policy of title insurance if such conditions are met,
- Resolution of title underwriting issues and taking steps needed to satisfy any conditions for the issuance of title insurance policies,
- Preparation and issuance of the title insurance policies, and
- Payment of premiums for any lender's title insurance coverage. (Comment 37(f)(2)-3)

The amount of the premium for the lender's title insurance coverage must be disclosed without any adjustment to the premium that might be made for the simultaneous purchase of an owner's title insurance policy. (Comment 37(f)(2)-4)

Disclose no more than 13 Services You Cannot Shop For. (§ 1026.37(f)(2)(ii)) If there are more than 13 Services You Cannot Shop For, disclose the total amount of the items that exceed 12 with the label Additional Charges. An addendum to the Loan Estimate cannot be used to disclose the additional items. (§ 1026.37(f)(6)(i))

[31] Services You Can Shop For (page 2, Loan Costs [C]) - Moderate

The diagram shows a form titled "C. Services You Can Shop For". A callout box points to the top of the form area, stating "There are 14 lines available." Another callout box points to the bottom of the form area, stating "Line 14 can be a 'catch-all' or can be a total line from an addendum."

Y&A Completion Instruction

The processor must include in Section C all charges for which the creditor will permit the applicant to shop. These items must appear on the service providers list, and the descriptions on both the service provider list and the Loan Estimate must match. If a service the processor is listing in this section is not included on the service provider list, then the consumer may not shop, and that service must be placed in Section B, following Section B rules. All title related fees must begin with "Title – " to assure that these items remain together. Even if the applicant chooses a service provider from the service provider list, the fee appears in Section C. The fee that appears is generally the fee that the institution's provider would charge. Title insurance must be quoted without a simultaneous discount.

There are 14 lines available. The bottom line can be a "catch-all" or there can be an addendum. Unused lines remain blank. Entries must be in alphabetical order.

Audit: What You are Looking For

The auditor must determine that all charges included in Section C are services for which the creditor will permit the applicant to shop, that these services appear on the service providers list, and have the same titles. All title related fees must begin with "Title – " to assure that these items remain together. There are 14 lines available for these fees. The last line is a "catch all" for any remaining items, although an addendum is permitted. All lines that do not contain fees must remain completely blank. All items must be in alphabetical order and rounded to the nearest dollar.

Regulatory Text § 1026.37(f)(3)

(3) **Services you can shop for.** Under the subheading "Services You Can Shop For," an itemization of each amount and a subtotal of all such amounts the consumer will pay for

settlement services for which the consumer can shop in accordance with § 1026.19(e)(1)(vi)(A) and that are provided by persons other than the creditor or mortgage broker.

- (i) For any item that is a component of title insurance or is for conducting the closing, the introductory description “**Title –**” shall appear at the beginning of the label for that item.
- (ii) The number of items disclosed under this paragraph (f)(3) shall not exceed 14.

Regulatory Commentary

37(f)(3) Services you can shop for.

1. **Services disclosed.** *Items included under the subheading “Services You Can Shop For” pursuant to § 1026.37(f)(3) are for those services: that the creditor requires in connection with its decision to make the loan; that would be provided by persons other than the creditor or mortgage broker; and for which the creditor allows the consumer to shop in accordance with § 1026.19(e)(1)(vi). Comments 19(e)(3)(ii)-1 through -3, and -5 address the determination of good faith in providing estimates of charges for services for which the consumer can shop. Comment 19(e)(3)(iii)-2 discusses the determination of good faith when the consumer chooses a provider that is not on the list the creditor provides to the consumer when the consumer is permitted to shop consistent with § 1026.19(e)(1)(vi). Comments 19(e)(3)(iv)-1 through -3 discuss limits and requirements applicable to providing revised estimates for services for which the consumer can shop.*
2. **Example of charges.** *Examples of the services to be listed under this subheading pursuant to § 1026.37(f)(3) might include a pest inspection fee, survey fee, title – closing agent fee, and title – closing protection letter fee.*
3. **Title insurance.** *See comments 37(f)(2)-3 and -4 for guidance on services that are to be labeled beginning with “Title –” and on calculating and labeling the amount disclosed for lender’s title insurance pursuant to § 1026.37(f)(3). See comment 37(g)(4)-1 for a discussion of the disclosure of the premium for owner’s title insurance coverage.*

CFPB Guide

If the creditor requires a service, the creditor must disclose the service and the fee for the service. Generally, a creditor is not required to provide a detailed breakdown or itemization of the ancillary and administrative services related to a settlement service required by the creditor.

Services You Can Shop For are services that the creditor requires but that are provided by persons other than the creditor or mortgage broker. They are services that the consumer can shop for and will pay for at settlement. (§ 1026.37(f)(3)) Items listed as Services You Can Shop For must use terminology that describes each item and disclose them in alphabetical order. (§ 1026.37(f)(5))

A creditor permits a consumer to shop for an item if the creditor permits the consumer to select the provider of that item, subject to reasonable requirements (such

as appropriate licensing of the provider). (§ 1026.19(e)(1)(vi)(A); Comment 19(e)(1)(vi)-1) Whether a creditor permits a consumer to shop is determined by the relevant facts and circumstances. More information on when a creditor permits a consumer to shop is available in Section 7.5 of the Compliance Guide.

Services You Can Shop For might include:

- Pest inspection fee,
- Survey fee,
- Title – closing agent fee, and
- Title – closing protection letter fee. (Comment 37(f)(3)-2)

When disclosing services related to the issuance of title insurance policies, use the word Title – at the beginning of the item. (Comment 37(f)(2)-3)

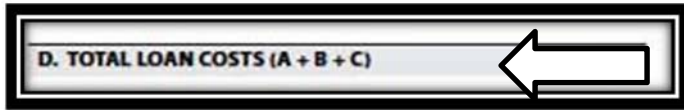
Items that are required for the issuance of title insurance policies may include:

- Examination and evaluation of title evidence to determine the insurability of the title being examined and what items to include or exclude in any title commitment and policy to be issued,
- Preparation and issuance of the title commitment or other document that discloses the status of title, identifies the conditions that must be met before the policy will be issued, and obligates the insurer to issue a policy of title insurance if such conditions are met,
- Resolution of title underwriting issues and taking steps needed to satisfy any conditions for the issuance of title insurance policies,
- Preparation and issuance of the title insurance policies, and
- Payment of premiums for any lender's title insurance coverage. (Comment 37(f)(3)-3)

The creditor 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. (Comment 37(f)(3)-3)

Disclose no more than 14 Services You Can Shop For. (§ 1026.37(f)(3)(ii)) If there are more than 14 Services You Can Shop For, disclose the total amount of the items that exceed 13 with the label Additional Charges. (§ 1026.37(f)(6)(ii)(B)) An addendum to the Loan Estimate can be used to disclose the additional items. (§ 1026.37(f)(6)(ii))

[32] Total Loan Costs (page 2, Loan Costs [D]) - Low



Y&A Completion Instruction

No processor action is required. This section is simply the sum of A + B + C. The dollar amount must be rounded to the nearest dollar.

Audit: What You are Looking For

The math is correct, and “D” is the total for A + B + C.

Regulatory Text § 1026.37(f)(4)

(4) **Total loan costs.** Under the subheading “**Total Loan Costs,**” the sum of the subtotals disclosed under paragraphs (f)(1) through (3) of this section.

Regulatory Commentary

None.

CFPB Guide

Total Loan Costs is the sum of the subtotals of Origination Charges, Services You Cannot Shop For, and Services You Can Shop For. (§ 1026.37(f)(4))

[33] Item Descriptions and Ordering (page 2, Loan Costs) - Moderate

Y&A Completion Instruction

The processor must assure that points are always listed first in Section A. Other than this one exception, all other items in Section A, Section B, and Section C must be properly identified (reasonably understood) and placed in alphabetical order. Any description(s) for services listed on the service provider list should match the service provider list description. This will help the creditor meet the standard of “clear and conspicuous.”

Audit: What You are Looking For

The auditor must determine that the fees are listed in alphabetical order within each section, the service provider list and the Loan Estimate descriptions match where applicable, and the descriptions provided on the Loan Estimate can be reasonably understood by the applicant. If the auditor has criticized the alphabetical order presentation earlier, the auditor should not double count the error here.

Regulatory Text § 1026.37(f)(5)

(5) Item descriptions and ordering. The items listed as loan costs pursuant to this paragraph (f) shall be labeled using terminology that describes each item, subject to the requirements of paragraphs (f)(1)(i), (f)(2)(i), and (f)(3)(i) of this section.

- (i) The item prescribed in paragraph (f)(1)(i) of this section for points shall be the first item listed in the disclosure pursuant to paragraph (f)(1) of this section.
- (ii) All other items must be listed in alphabetical order by their labels under the applicable subheading.

Regulatory Commentary

37(f)(5) Item descriptions and ordering.

1. ***Clear and conspicuous standard.*** Section 1026.37(f)(5) requires creditors to label the loan costs disclosed pursuant § 1026.37(f) using terminology that describes each item. A creditor complies with this requirement if it uses terminology that is clear and conspicuous, consistent with § 1026.17(a)(1), and describes the service or administrative function that the charge pays for in a manner that is reasonably understood by consumers within the space provided in form H-24 of appendix H to this part. For example, if a creditor imposes a fee on a consumer to cover the costs associated with underwriting the transaction, the creditor would comply with § 1026.37(f)(5) if it labeled the cost “Underwriting Fee.” A label that uses abbreviations or acronyms that are not reasonably understood by consumers would not comply with § 1026.37(f)(5).

CFPB Guide

None.

[34] Use of Addenda (page 2, Loan Costs) - Low

Y&A Completion Instruction

The processor must assure that Loan Origination Charges (Section A) and Services You Cannot Shop For (Section B) do not have an addendum. Services You Can Shop For (Section C) can have an addendum at the creditor's discretion. Any required state law disclosures must be separate, and the creditor must assure that the consumer can tell the difference between the two. There is now a new section to the commentary about post closing fees that should be considered.

Audit: What You are Looking For

The auditor must determine that there are no addendums for Section A and Section B. If there is an addendum for Section C, the total from the addendum appears on the bottom line in Section C, with an appropriate heading. The auditor must also assure that any state required disclosures are separate from the Loan Estimate, and delivered in a way to avoid applicant confusion.

Regulatory Text § 1026.37(f)(6)

(6) Use of addenda.

- (i) An addendum to a form of disclosures prescribed by this section may not be used for items described in paragraph (f)(1) or (2) of this section. If the creditor is not able to itemize every service and every corresponding charge required to be disclosed in the number of lines provided by paragraph (f)(1)(ii) or (2)(ii) of this section, the remaining charges shall be disclosed as an aggregate amount in the last line permitted under paragraph (f)(1)(ii) or (2)(ii), as applicable, labeled **“Additional Charges.”**
- (ii) An addendum to a form of disclosures prescribed by this section may be used for items described in paragraph (f)(3) of this section. If the creditor is not able to itemize all of the charges required to be disclosed in the number of lines provided by paragraph (f)(3)(ii), the remaining charges shall be disclosed as follows:
 - (A) Label the last line permitted under paragraph (f)(3)(ii) with an appropriate reference to an addendum and list the remaining items on the addendum in accordance with the requirements in paragraphs (f)(3) and (5) of this section; or
 - (B) Disclose the remaining charges as an aggregate amount in the last line permitted under paragraph (f)(3)(ii) , labeled **“Additional Charges.”**

Regulatory Commentary

37(f)(6) Use of addenda.

- 1. State law disclosures.*** *If a creditor is required by State law to make additional disclosures that,*

pursuant to § 1026.37(f)(6)(i), cannot be included in the disclosures required under § 1026.37(f), the creditor may make those additional State law disclosures on a document whose pages are separate from, and are not presented as part of, the disclosures prescribed in § 1026.37, for example, as an addendum to the Loan Estimate. See comment 37(o)(1)-1

- 2. Reference to addendum.** *If an addendum is used as permitted under § 1026.37(f)(6)(ii) an example of a label that complies with the requirement for an appropriate reference on the last line is: “See attached page for additional items you can shop for.”*
- 3. Addendum for post-consummation inspection and handling fees.** *A creditor makes the disclosures required by § 1026.37(f) and comment 37(f)-3 for construction loan inspection and handling fees collected after consummation by disclosing the total of such fees under the heading “Inspection and Handling Fees Collected After Closing” in an addendum, which may be the addendum pursuant to § 1026.37(f)(6) or any other addendum or additional page under § 1026.37. See comment 37(o)(1)-1. For purposes of comment 38(f)-2, the addendum may be any addendum or additional page under § 1026.38. If the actual amount of such fees is not known at the time the disclosures are provided, the disclosures in the addendum are based upon the best information reasonably available to the creditor at the time the disclosure is provided. See comment 19(e)(1)(i)-1. For example, such information could include amounts the creditor has previously charged in similar construction transactions or the amount of estimated inspection and handling fees used by the creditor for purposes of setting the construction loan’s commitment amount.*

CFPB Guide

None.

Section 8: Closing Cost Details; Other Costs

12 CFR § 1026.37(g)

General Language

Y&A Completion Instruction

This section details the right hand side of page 2 of the Loan Estimate. There are six subheadings that are all boilerplate in nature. This portion of the Loan Estimate is for both items that are required and items that are optional. They include filing fees, escrow, prepaids, and other similar items.

Regulatory Text § 1026.37(g)

- (g) **Closing cost details; other costs.** Under the master heading “**Closing Cost Details,**” in a table under the heading “**Other Costs,**” all costs associated with the transaction that are in addition to the costs disclosed under paragraph (f) of this section. The table shall contain the items and amounts listed under six subheadings, described in paragraphs (g)(1) through (6) of this section.

Regulatory Commentary

37(g) Closing cost details; other costs.

- 1. General description.*** *The items listed under the heading of “Other Costs” pursuant to § 1026.37(g) include services that are ancillary to the creditor’s decision to evaluate the collateral and the consumer for the loan. The amounts disclosed for these items are: established by government action; determined by standard calculations applied to ongoing fixed costs; or based on an obligation incurred by the consumer independently of any requirement imposed by the creditor, except for prepaid interest under § 1026.37(g)(2)(iii), or charges for optional credit insurance provided by the creditor, the creditor does not retain any of the amounts or portions of the amounts disclosed as other costs.*
- 2. Charges pursuant to property contract.*** *The creditor is required to disclose charges that are described in § 1026.37(g)(1) through (3). Other charges that are required to be paid at or before closing pursuant to the property contract for sale between the consumer and seller are disclosed on the Loan Estimate to the extent the creditor has knowledge of those charges when it issues the Loan Estimate, consistent with the good faith standard under § 1026.19(e). A creditor has knowledge of those charges where, for example, it has the real estate purchase and sale contract. See also § 1026.37(g)(4) and comment 37(g)(4)-3.*

CFPB Guide

Disclose Other Costs under four subheadings, each of which is subtotaled:

- Taxes and Other Government Fees,
- Prepaids,
- Initial Escrow Payment at Closing, and
- Other.

Total Other Costs is the sum of these four subtotals. (§ 1026.37(g)(5))

Other Costs are established by government action, determined by standard calculations applied to ongoing fixed costs, or based on an obligation incurred by the consumer independently of any requirement imposed by the creditor. (Comment 37(g)-1) Other items that are required to be paid at or before closing pursuant to the contract for sale between the consumer and a seller are disclosed on the Loan Estimate to the extent the creditor has knowledge of those items when it issues the Loan Estimate. (Comment 37(g)-2)

Other Costs must be disclosed in the order listed in the TILA-RESPA Rule, with any additional items listed in alphabetical order in subsequent lines of the applicable subheading. (§ 1026.37(g)(7))

An addendum to the Loan Estimate cannot be used for additional items on the Other Costs table. If all of the charges cannot be itemized in the number of lines provided in a subheading of the Other Costs table, the total of those items that exceed the number permitted are disclosed with the label “Additional Charges” on the last line of that subheading. (§ 1026.37(g)(8))

[35] Taxes and Other Government Fees (page 2, Loan Costs [E]) - Moderate

Other Costs	
E. Taxes and Other Government Fees	
Recording Fees and Other Taxes	
Transfer Taxes	

Y&A Completion Instruction

This section includes recording fees, other government fees, and transfer taxes (if applicable under state law). The processor must place recording fees and other taxes as a lump sum on the first line. This amount should be as accurate as possible, as it is possible that this number may be the only items in the 10% tolerance classification.

The second line specifically for transfer taxes, when paid by the applicant. If there is no transfer tax or the transfer tax is being paid by someone other than the applicant, the transfer tax line remains blank. All dollar amounts must be rounded to the nearest dollar.

Audit: What You are Looking For

The auditor must determine that the recording fees and taxes are reasonably accurate, as they are subject to the 10% tolerance calculation. The auditor must determine which party is paying the transfer tax if the loan is a purchase. If it is the applicant, then the transfer tax amount must be accurate. If someone other than the applicant is paying the transfer tax, the transfer tax line is left blank. This may require a review of the purchase agreement. All amounts are rounded to the nearest dollar.

Regulatory Text § 1026.37(g)(1)

- (1) **Taxes and other government fees.** Under the subheading “**Taxes and Other Government Fees,**” the amounts to be paid to State and local governments for taxes and other government fees, and the subtotal of all such amounts, as follows:
 - (i) On the first line, the sum of all recording fees and other government fees and taxes, except for transfer taxes paid by the consumer and disclosed pursuant to paragraph (g)(1)(ii) of this section, labeled “**Recording Fees and Other Taxes.**”
 - (ii) On the second line, the sum of all transfer taxes paid by the consumer, labeled “**Transfer Taxes.**”
 - (iii) If an amount required to be disclosed by this paragraph (g)(1) is not charged to the consumer, the amount disclosed on the applicable line required by this paragraph (g)(1) must be blank.

Regulatory Commentary

37(g)(1) Taxes and other government fees.

1. **Recording fees.** *Recording fees listed under § 1026.37(g)(1) are fees assessed by a government authority to record and index the loan and title documents as required under State or local law. Recording fees are assessed based on the type of document to be recorded or its physical characteristics, such as the number of pages. Unlike transfer taxes, recording fees are not based on the sale price of the property or loan amount. For example, a fee for recording a subordination agreement that is \$20, plus \$3 for each page over three pages, is a recording fee, but a fee of \$1,250 based on 0.5 percent of the loan amount is a transfer tax, and not a recording fee.*
2. **Other government charges.** *Any charges or fees imposed by a State or local government that are not transfer taxes are aggregated with recording fees and disclosed under § 1026.37(g)(1)(i).*
3. **Transfer taxes – terminology.** *In general, transfer taxes listed under § 1026.37(g)(1) are State and local government fees on mortgages and home sales that are based on the loan amount or sales price, while recording fees are State and local government fees for recording the loan and title documents. The name that is used under State or local law to refer to these amounts is not determinative of whether they are disclosed as transfer taxes or as recording fees and other taxes under § 1026.37(g)(1).*
4. **Transfer taxes – consumer.** *Only transfer taxes paid by the consumer are disclosed on the Loan Estimate pursuant to § 1026.37(g)(1). State and local government transfer taxes which determines if the seller or consumer is ultimately responsible for paying the transfer taxes. For example, if State law indicates a lien can attach to the consumer's acquired property if the transfer tax is not paid, the transfer tax is disclosed. If State or local law is unclear or does not specifically attribute transfer taxes to the seller or the consumer, the creditor is in compliance with requirements of § 1026.37(g)(1) if the amount of the transfer tax disclosed is not less than the amount apportioned to the consumer using common practice in the locality of the property.*
5. **Transfer taxes – seller.** *Transfer taxes paid by the seller in a purchase transaction are not disclosed on the Loan Estimate under § 1026.37(g)(1)], but are disclosed on the Closing Disclosure pursuant to § 1026.38(g)(1)(ii).*
6. **Deletion and addition of items.** *The lines and labels required by § 1026.37(g)(1) may not be deleted, even if recording fees or transfer taxes are not charged to the consumer. No additional items may be listed under the subheading in § 1026.37(g)(1).*

CFPB Guide

Under Taxes and Other Government Fees, disclose Recording Fees and Other Taxes first and Transfer Taxes second. (§ 1026.37(g)(1))

Recording Fees and Other Taxes are fees assessed by a government authority to record and index the loan and title documents as required under State or local law, together with any charges or fees imposed by a State or local government that are not Transfer Taxes. (Comment 37(g)(1)-1 and -2) Recording Fees and Other Taxes do not include fees that are based on the Sale Price of the Property or Loan Amount. For example, a fee for recording a subordination that is \$20, plus \$3

for each page over three pages, is included as Recording Fees and Other Taxes; but a fee of \$1,250 based on 0.5% of the Loan Amount is included as Transfer Taxes, and not included as Recording Fees and Other Taxes. (Comment 37(g)(1)-1) Sales tax and other types of tax assessed on the individual settlement services provided are included in the cost of the individual service and are not disclosed as Recording Fees and Other Taxes.

Transfer Taxes are State and local government fees on mortgages and home sales that are based on the Loan Amount or Sale Price of the Property. The name that is used under State or local law to refer to these amounts is not determinative of whether or not they are disclosed as Transfer Taxes on the Loan Estimate. (Comment 37(g)(1)-3)

Disclose only Transfer Taxes paid by the consumer on the Loan Estimate. Whether the consumer pays the transfer tax is based on applicable State or local law. For example:

- If a State law indicates a lien can attach to the consumer's acquired property if the charge is not paid, the amount is included as part of Transfer Taxes;
- If State or local law is unclear or does not specifically attribute the amount to the seller or consumer, disclose the amount apportioned to the consumer using common practice in the locality of the property. (Comment 38(g)(1)-4)

Transfer taxes to be paid by the seller are not disclosed on the Loan Estimate as Transfer Taxes. (Comment 38(g)(1)-5)

The amount of Transfer Taxes disclosed could be modified to the extent the creditor has knowledge of the apportionment of transfer taxes in the contract for sale between the consumer and a seller when it issues the Loan Estimate. (Comment 37(g)-2) When a creditor does not have the contract of sale when it issues the Loan Estimate, the creditor must use the apportionment of transfer taxes provided for by State or local law, or common practice when State or local law is unclear. (Comment 37(g)(1)-4)

Disclose the sum of all transfer taxes paid by the consumer as Transfer Taxes. (§ 1026.37(g)(1)(ii)) No additional items may be listed or deleted in the Taxes and Other Government Fees category. (Comment 37(g)(1)-6)

[36] Prepays (page 2, Loan Costs [F]) - High

F. Prepays	
Homeowner's Insurance Premium (months)
Mortgage Insurance Premium (months)
Prepaid Interest (per day for days @)
Property Taxes (months)

There is room within this disclosure for an additional three items. Fill out all required items for each of the seven possible categories.

Y&A Completion Instruction

The processor must indicate in this section all items that the consumer must pay at or before consummation of the loan for the purpose of inducing the creditor to make the loan. The include homeowners insurance, up front mortgage insurance premiums, prepaid (odd days) interest, property taxes that will be coming due shortly (within 2 months) and any other additional items that must be paid. These may include flood insurance, delinquent taxes, or any similar item that must be paid before the creditor is willing close the loan. There is room on the form for an additional 3 items. The totals for each line item are rounded to the nearest dollar.

Audit: What You are Looking For

The auditor must determine that all appropriate amounts appear in this section, based on the loan (purchase or refinance), the loan requirements (dwelling or bare land), and the normal procedures of the institution (such as the collection of odd days interest). This may require the review of several documents, including purchase agreements, LTV calculations, etc. Any items that are N/A must be blank. All amounts must be rounded to the nearest dollar.

Regulatory Text § 1026.37(g)(2)

- (2) **Prepays.** Under the subheading “**Prepays,**” an itemization of the amounts to be paid by the consumer in advance of the first scheduled payment, and the subtotal of all such amounts, as follows:
- (i) On the first line, the number of months for which homeowner’s insurance premiums are to be paid by the consumer at consummation and the total dollar amount to be paid by the consumer at consummation for such premiums, labeled “**Homeowner’s Insurance Premium (__months).**”
 - (ii) On the second line, the number of months for which mortgage insurance premiums are to be paid by the consumer at consummation and the total dollar amount to be paid by the consumer at consummation for such premiums, labeled “**Mortgage Insurance Premium (__ months).**”

- (iii) On the third line, the amount of prepaid interest to be paid per day, the number of days for which prepaid interest will be collected, the interest rate, and the total dollar amount to be paid by the consumer at consummation for such interest, labeled **“Prepaid Interest (___ per day for _ days @ ___ %).”**
- (iv) On the fourth line, the number of months for which property taxes are to be paid by the consumer at consummation and the total dollar amount to be paid by the consumer at consummation for such taxes, labeled **“Property Taxes (___ months).”**
- (v) If an amount is not charged to the consumer for any item for which this paragraph (g)(2) prescribes a label, each of the amounts required to be disclosed on that line must be blank.
- (vi) A maximum of three additional items may be disclosed under this paragraph (g)(2), and each additional item must be identified and include the applicable time period covered by the amount to be paid by the consumer at consummation and the total amount to be paid.

Regulatory Commentary

37(g)(2) Prepays.

1. **Examples.** *Prepaid items required to be disclosed pursuant to § 1026.37(g)(2) include the interest due at consummation for the period of time before interest begins to accrue for the first scheduled periodic payment and certain periodic charges that are required by the creditor to be paid at consummation. Each periodic charge listed as a prepaid item indicates, as applicable, the time period that the charge will cover, the daily amount, the percentage rate of interest used to calculate the charge, and the total dollar amount of the charge. Examples of periodic charges that are disclosed pursuant to § 1026.37(g)(2) include:*
 - i. *Real estate property taxes due within 60 days after consummation of the transaction;*
 - ii. *Past-due real estate property taxes;*
 - iii. *Mortgage insurance premiums;*
 - iv. *Flood insurance premiums; and*
 - v. *Homeowner’s insurance premiums.*
2. **Interest rate.** *The interest rate disclosed pursuant to § 1026.37(g)(2)(iii) is the same interest rate disclosed pursuant to § 1026.37(b)(2).*
3. **Terminology.** *For purposes of § 1026.37(g)(2), the term “property taxes” has the same meaning as in § 1026.43(b)(8) and further described in comment 43(b)(8)-2; the term “homeowner’s insurance” means the amounts identified in § 1026.4(b)(8); and the term “mortgage insurance” has the same meaning as “mortgage insurance or any functional equivalent” in § 1026.37(c), which means the amounts identified in § 1026.4(b)(5).*

4. **Deletion of items.** *The lines and labels required by § 1026.37(g)(2) may not be deleted, even if amounts for those labeled items are not charged to the consumer. If an amount for a labeled item is not charged to the consumer, the time period, daily amount, and percentage used in the labels are left blank.*

CFPB Guide

Prepays are items to be paid by the consumer in advance of the first scheduled payment of the loan. (§ 1026.37(g)(2)) Prepays are:

- Homeowner's Insurance Premium,
- Mortgage Insurance Premium,
- Prepaid Interest,
- Property Taxes, and
- A maximum of three additional items.

Each item must include the applicable time period covered by the amount to be paid by the consumer and the total amount to be paid. (§ 1026.37(g)(2)(i)-(iv))

[37] Initial Escrow Payment at Closing (page 2, Loan Costs [G]) - Moderate

G. Initial Escrow Payment at Closing		
Homeowner's Insurance	per month for	mo.
Mortgage Insurance	per month for	mo.
Property Taxes	per month for	mo.

There is room for 7 possible escrow items. Note that the disclosure does not allow for a negative aggregate adjustment. The negative aggregate adjustment does appear on the Closing Disclosure.

Y&A Completion Instruction

The processor should complete all relevant escrow items, based on the best information available at the time of completion. This disclosure uses the single item accounting system that has been used for completion of the HUD-1 for many years. There is no negative aggregate adjustment at this time. There is room on the form for up to seven escrow items. The totals for each line item are rounded to the nearest dollar, even if the monthly amount is not whole dollars.

Audit: What You are Looking For

The auditor must determine that all appropriate amounts appear in this section, based on the data that was available to the processor at the time of the Loan Estimate's creation. While not required, these amounts might change on any subsequent Loan Estimate, either due to a change in the applicant's mind, or additional information being provided to the processor. This may require the review of several other documents, including insurance information, tax information, etc. Any items that are N/A must be blank. As part of the review process, the auditor should compare the monthly total of payment here to the total on the first page (Estimated taxes, etc.) to assure that the same amounts are being used in both locations. All total amounts must be rounded to the nearest dollar, even if the monthly amounts are not whole dollars.

Regulatory Text § 1026.37(g)(3)

- (3) **Initial escrow payment at closing.** Under the subheading **“Initial Escrow Payment at Closing,”** an itemization of the amounts that the consumer will be expected to place into a reserve or escrow account at consummation to be applied to recurring periodic charges, and the subtotal of all such amounts, as follows:
- (i) On the first line, the amount escrowed per month, the number of months covered by an escrowed amount collected at consummation, and the total amount to be paid into the escrow account by the consumer at consummation for homeowner's insurance premiums, labeled **“Homeowner's Insurance _ per month for _ mo.”**

- (ii) On the second line, the amount escrowed per month, the number of months covered by an escrowed amount collected at consummation, and the total amount to be paid into the escrow account by the consumer at consummation for mortgage insurance premiums, labeled **“Mortgage Insurance _ per month for _ mo.”**
- (iii) On the third line, the amount escrowed per month, the number of months covered by an escrowed amount collected at consummation, and the total amount to be paid into the escrow account by the consumer at consummation for property taxes, labeled **“Property Taxes _ per month for _ mo.”**
- (iv) If an amount is not charged to the consumer for any item for which this paragraph (g)(3) prescribes a label, each of the amounts required to be disclosed on that line must be blank.
- (v) A maximum of five items may be disclosed pursuant to this paragraph (g)(3) in addition to the items described in paragraph (g)(3)(i) through (iii) of this section, and each such additional item must be identified with a descriptive label and include the applicable amount per month, the number of months collected at consummation, and the total amount to be paid.

Regulatory Commentary

37(g)(3) Initial escrow payment at closing.

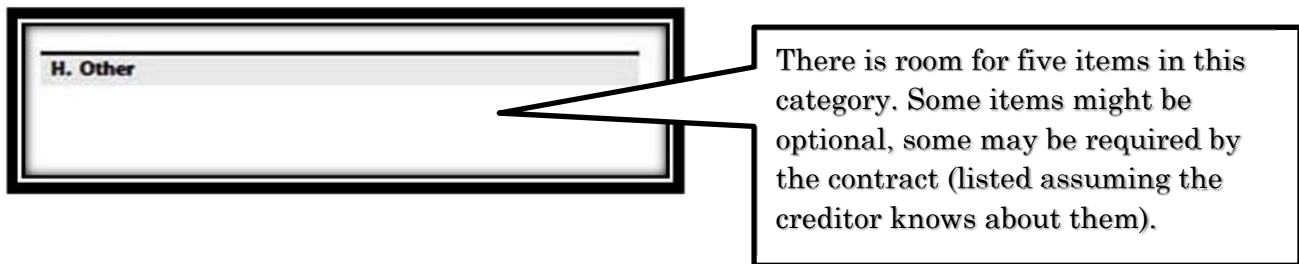
- 1. Listed item not charged.** Pursuant to § 1026.37(g)(3), each periodic charge to be included in the escrow or reserve account must be itemized under the **“Initial Escrow Payment at Closing”** subheading, with a relevant label, monthly payment amount, and number of months expected to be collected at consummation. If an item described in § 1026.37(g)(3)(i) through (iii) is not charged to the consumer, the monthly payment amount and time period used in the labels are left blank.
- 2. Aggregate escrow account calculation.** The aggregate escrow account adjustment required under § 1026.38(g)(3) and 12 CFR 1024.17(d)(2) is not included on the Loan Estimate under § 1026.37(g)(3).
- 3. Terminology.** As used in § 1026.37(g)(3), the term **“property taxes”** has the same meaning as in § 1026.43(b)(8) and further described in comment 43(b)(8)-2; the term **“homeowner’s insurance”** means the amounts identified in § 1026.4(b)(8); and the term **“mortgage insurance”** has the same meaning as **“mortgage insurance or any functional equivalent”** in § 1026.37(c).
- 4. Deletion of items.** The lines and labels required by § 1026.37(g)(3) may not be deleted, even if amounts for those labeled items are not charged to the consumer.
- 5. Escrowed tax payments for different time frames.** Payments for property taxes that are paid at different time periods can be itemized separately when done in accordance with 12 CFR 1024.17, as applicable. For example, a general property tax covering a fiscal year from January 1 to December 31 can be listed as a property tax under § 1026.37(g)(3)(i); and a separate property tax to fund schools that cover a fiscal year from November 1 to October 31 can be added as a separate item under § 1026.37(g)(3)(v).

CFPB Guide

Initial Escrow Payment at Closing includes items that the consumer will be expected to place into a reserve or escrow account at consummation to be applied to recurring periodic payments. (§ 1026.37(g)(3)) Initial Escrow Payment at Closing includes:

- Homeowner's Insurance,
- Mortgage Insurance,
- Property Taxes, and
- A maximum of five other items.

Also disclose the amount escrowed per month for each item, the number of months collected at consummation and the total amount paid. (§ 1026.37(g)(3)(i), (ii), (iii), (v))

[38] Other (page 2, Loan Costs [H]) - High**Y&A Completion Instruction**

The processor must list a wide variety of items in this section. If it is a purchase, owner's title insurance (based on the full premium, not any simultaneous discount) is included here, although it can be marked as optional. Other optional items are also listed here, as well as any items that are required under the sales contract, if the creditor has all access to that information. If any item is related to title issues (notably the owner's title insurance), then the label must begin "Title –." There is room on the form for up to five items. All dollar amounts are rounded to the nearest dollar.

Audit: What You are Looking For

The auditor must determine that all appropriate amounts appear in this section, based on the data that was available to the processor at the time of the Loan Estimate's creation. While not required, these amounts might change on any subsequent Loan Estimate, either due to a change in the applicant's mind, or additional information being provided to the processor. This may require the review of several other documents, including the purchase agreement. Any items that are N/A must be blank. Remember, Owner's Title Insurance must appear on a purchase, and begin with "Title –."

Regulatory Text § 1026.37(g)(4)

- (4) **Other.** Under the subheading "**Other,**" an itemization of any other amounts in connection with the transaction that the consumer is likely to pay or has contracted with a person other than the creditor or loan originator to pay at closing and of which the creditor is aware at the time of issuing the Loan Estimate, a descriptive label of each such amount, and the subtotal of all such amounts.
- (i) For any item that is a component of title insurance, the introductory description "**Title –**" shall appear at the beginning of the label for that item.
 - (ii) The parenthetical description "**(optional)**" shall appear at the end of the label for items disclosing any premiums paid for separate insurance, warranty, guarantee, or event-coverage products.

(iii) The number of items disclosed under this paragraph (g)(4) shall not exceed five.

Regulatory Commentary

37(g)(4) *Other*.

1. **Owner's title insurance policy rate.** *The amount disclosed for an owner's title insurance premium pursuant to § 1026.37(g)(4) is based on a basic owner's policy rate, and not on an "enhanced" title insurance policy premium, except that the creditor may instead disclose the premium for an "enhanced" policy when the "enhanced" title insurance policy is required by the real estate sales contract, if such requirement is known to the creditor when issuing the Loan Estimate. This amount should be disclosed as "Title – Owner's Title Policy (optional)," or in any similar manner that includes the introductory description "Title –" at the beginning of the label for the item, the parenthetical description "(optional)" at the end of the label, and clearly indicates the amount of the premium disclosed pursuant to § 1026.37(g)(4) is for the owner's title insurance coverage. See comment 37(f)(2)-4 for a discussion of the disclosure of the premium for lender's title insurance coverage.*
2. **Simultaneous title insurance premium rate in purchase transactions.** *The premium for an owner's title insurance policy for which a special rate may be available based on the simultaneous issuance of a lender's and an owner's policy is calculated and disclosed pursuant to § 1026.37(g)(4) as follows:*
 - i. *The title insurance premium for a lender's title policy is based on the full premium rate, consistent with § 1026.37(f)(2) or (f)(3).*
 - ii. *The owner's title insurance premium is calculated by taking the full owner's title insurance premium, adding the simultaneous issuance premium for the lender's coverage, and then deducting the full premium for lender's coverage.*
3. **Designation of optional items.** *Products disclosed under § 1026.37(g)(4) for which the parenthetical description "(optional)" is included at the end of the label for the item include only items that are separate from any item disclosed on the Loan Estimate under paragraphs other than § 1026.37(g)(4). For example, such items may include optional owner's title insurance, credit life insurance, debt suspension coverage, debt cancellation coverage, warranties of home appliances and systems, and similar products, when coverage is written in connection with a credit transaction that is subject to § 1026.19(e). However, because the requirement in § 1026.37(g)(4)(ii) applies to separate products only, additional coverage and endorsements on insurance otherwise required by the lender are not disclosed under § 1026.37(g)(4). See comments 4(b)(7) and (b)(8)-1 through -3 and comments 4(b)(10)-1 and -2 for guidance on determining when credit life insurance, debt suspension coverage, debt cancellation coverage, and similar coverage is written in connection with a transaction subject to § 1026.19(e).*
4. **Examples.** *Examples of other items that are disclosed under § 1026.37(g)(4) if the creditor is aware of those items when it issues the Loan Estimate include commissions of real estate brokers or agents, additional payments to the seller to purchase personal property pursuant to the property contract, homeowner's association and condominium charges associated with the*

transfer of ownership, and fees for inspections not required by the creditor but paid by the consumer pursuant to the property contract. Although the consumer is obligated for these costs, they are not imposed upon the consumer by the creditor or loan originator. Therefore, they are not disclosed with the parenthetical description “(optional)” at the end of the label for the item, and they are disclosed pursuant to § 1026.37(g) rather than § 1026.37(f). Even if such items are not required to be disclosed on the Loan Estimate under § 1026.37(g)(4), however, they may be required to be disclosed on the Closing Disclosure pursuant to § 1026.38. Comment 19(e)(3)(iii)-3 discusses application of the good faith requirement for services chosen by the consumer that are not required by the creditor.

CFPB Guide

Other includes items in connection with the transaction that the consumer is likely to pay or has contracted with a person other than the creditor or loan originator to pay at closing and of which the creditor is aware at the time of issuing the Loan Estimate. (§ 1026.37(g)(4))

Separate insurance, warranty, guarantee or event-coverage products include, for example:

- Owner’s title insurance,
- Credit life insurance,
- Debt suspension coverage,
- Debt cancellation coverage,
- Warranties of home appliances and systems, and
- Similar products.

These items are disclosed when coverage is written in connection with a mortgage. These examples would not include additional coverage and endorsements on insurance otherwise required by the creditor. (Comment 37(g)(4)-3)

Items that disclose any premiums paid for separate insurance, warranty, guarantee, or event-coverage products not required by the creditor must include the parenthetical description (optional) at the end of the label. (§ 1026.37(g)(4)(ii))

A maximum of five items can be disclosed as Other. (§ 1026.37(g)(4)(iii))

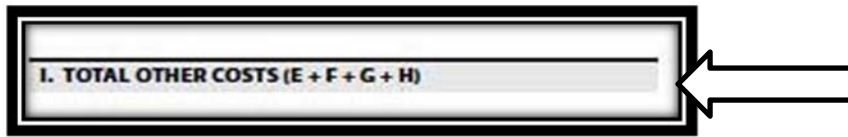
Describe services related to the issuance of title insurance policies with the word Title – at the beginning of the item. When the owner’s title insurance premium includes a simultaneous issuance premium, the premium is calculated by taking the full owner’s title insurance premium, adding the simultaneous issuance premium for the lender’s coverage (if any), and then deducting the full premium for lender’s coverage. (Comment 37(g)(4)-2)

When the creditor is aware of those items, Other includes for example:

- Commissions of real estate brokers or agents,

- 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 creditor but paid by the consumer pursuant to the contract of sale. (Comment 37(g)(4)-4)

Other does not include construction costs, payoffs of existing liens, or payoffs of other secured debt or unsecured debt.

[39] Total Other Costs (page 2, Loan Costs [I]) - Low**Y&A Completion Instruction**

No processor action is required. This section is simply the sum of E + F + G + H. The total is rounded to the nearest dollar.

Audit: What You are Looking For

The math is correct, and “T” is the total for E + F + G + H.

Regulatory Text § 1026.37(g)(5)

(5) **Total other costs.** Under the subheading “**Total Other Costs,**” the sum of the subtotals disclosed pursuant to paragraphs (g)(1) through (4) of this section.

Regulatory Commentary

None.

CFPB Guide

Total Closing Costs is the sum of Total Loan Costs (shown in Figure 8), Total Other Costs, and Lender Credits. (§ 1026.37(g)(6))

Lender Credits is the amount of any payments from the creditor to the consumer and is disclosed as a negative number. Lender Credits include specific lender credits (if any) that pay for a particular fee disclosed on the Loan Estimate and general or non-specific lender credits (if any) that do not pay for a particular fee on the Loan Estimate. (Comment 37(g)(6)(ii)-1)

For loans where all or a portion of closing costs are offset by a credit or rebate provided by the creditor (sometimes referred to as “no cost” loans), disclose such credit or rebate as Lender Credits. The creditor should ensure that Lender Credits is sufficient to cover the estimated items the creditor represented to the consumer as not being paid by the consumer at consummation, regardless of whether such representations pertained to specific items. (Comment 37(g)(6)(ii)-2)

[40] Total Closing Costs (page 2, Loan Costs [J]) - Low

J. TOTAL CLOSING COSTS
D + I
Lender Credits

Y&A Completion Instruction

This section totals the closing costs, by adding D + I and subtracting any lender credits. Lender credits are entered as a negative number. The processor should enter any lender credit, understanding that any credit provided can never be reduced or removed, only increased.

Audit: What You are Looking For

The lender credit appears appropriate, has not been reduced, the math is correct, properly rounded and “J” is correct.

Regulatory Text § 1026.37(g)(6)

(6) **Total closing costs.** Under the subheading “**Total Closing Costs,**” the component amounts and their sum, as follows:

- (i) The sum of the amounts disclosed as loan costs and other costs under paragraphs (f)(4) and (g)(5) of this section, labeled “**D + I**”; and
- (ii) The amount of any lender credits, disclosed as a negative number with the label “**Lender Credits**” provided that, if no such amount is disclosed, the amount must be blank.

Commentary

37(g)(6) Total closing costs.

Paragraph 37(g)(6)(ii).

1. **Lender credits.** Section 1026.19(e)(1)(i) requires disclosure of lender credits as provided in § 1026.37(g)(6)(ii). Such lender credits include non-specific lender credits as well as specific lender credits. See comment 19(e)(3)(i)-5.
2. **Credits or rebates from the creditor to offset a portion or all of the closing costs.** For loans where a portion or all of the closing costs are offset by a credit or rebate provided by the creditor (sometimes referred to as “**no-cost**” loans), whether all or a defined portion of the closing costs disclosed under § 1026.37(f) or (g) will be paid by a credit or rebate from the creditor, the

creditor discloses such credit or rebate as a lender credit under § 1026.37(g)(6)(ii). The creditor should ensure that the lender credit disclosed under § 1026.37(g)(6)(ii) is sufficient to cover the estimated costs the creditor represented to the consumer as not being required to be paid by the consumer at consummation, regardless of whether such representations pertained to specific items.

CFPB Guide

None. See discussion in instruction [39].

[41] Item Descriptions and Ordering (page 2, Loan Costs) - Low

Y&A Completion Instruction

The processor must label each fee included in “Other Costs” clearly. Some labels are dictated by the regulation, others are not. All items must be in alphabetical order within each section, unless the required labels will not permit this to occur.

Audit: What You are Looking For

All entered fee descriptions in “Other Costs” are clear and conspicuous, and, where required, in alphabetical order. If the auditor already took alphabetical order and fee descriptions into account when auditing the individual fields above, the auditor may decide to not complete this item to avoid double counting errors.

Regulatory Text § 1026.37(g)(7)

- (7) **Item descriptions and ordering.** The items listed as other costs pursuant to this paragraph (g) shall be labeled using terminology that describes each item.
- (i) The items prescribed in paragraphs (g)(1)(i) and (ii), (g)(2)(i) through (iv), and (g)(3)(i) through (iii) of this section must be listed in the order prescribed as the initial items under the applicable subheading, with any additional items to follow.
 - (ii) All additional items must be listed in alphabetical order under the applicable subheading.

Regulatory Commentary

37(g)(7) Item descriptions and ordering.

1. ***Clear and conspicuous standard.*** See comment 37(f)(5)-1 for guidance regarding the requirement to label items using terminology that describes each item.

CFPB Guide

None.

[42] Use of Addenda (page 2, Loan Costs) - Low

Y&A Completion Instruction

None of the items in “Other Costs” may have an addendum. If there are more charges than lines, the bottom line in each section becomes a “catch-all.”

State law required forms must be separate, and it must be clear that the state law required forms are not part of the Loan Estimate.

Audit: What You are Looking For

There are no addendums added, and all required state forms are completely separate.

Regulatory Text § 1026.37(g)(8)

(8) **Use of addenda.** An addendum to a form of disclosures prescribed by this section may not be used for items required to be disclosed by this paragraph (g). If the creditor is not able to itemize all of the charges described in this paragraph (g) in the number of lines provided by paragraphs (g)(2)(vi), (3)(v), or (4)(iii) of this section, the remaining charges shall be disclosed as an aggregate amount in the last line permitted under paragraphs (g)(2)(vi), (3)(v), or (4)(iii), as applicable, using the label “**Additional Charges.**”

Regulatory Commentary

37(g)(8) Use of addenda.

1. **State law disclosures.** *If a creditor is required by State law to make additional disclosures that, pursuant to § 1026.37(g)(8), cannot be included in the disclosures required under § 1026.37(g), the creditor may make those additional State law disclosures on a separate document whose pages are physically separate from, and are not presented as part of, the disclosures prescribed in § 1026.37. See comment 37(o)(1)-1.*

CFPB Guide

None.

Section 9: Calculating Cash to Close

12 CFR § 1026.37(h)

Regulatory Text

(h) Calculating cash to close.

Regulatory Commentary

None.

CFPB Guide

None.

[43] For All Transactions (page 2, Calculating Cash to Close) - High

Calculating Cash to Close
Total Closing Costs (J)
Closing Costs Financed (Paid from your Loan Amount)
Down Payment/Funds from Borrower
Deposit
Funds for Borrower
Seller Credits
Adjustments and Other Credits
Estimated Cash to Close

Seven items are part of this calculation.

Y&A Commentary

This table is designed to explain to the customer the amount of cash that is either required at closing, or that they may be receiving at closing. There are seven components that are discussed below. The addition and subtraction of these items (as applicable) will lead to the Estimated Cash to Close.

Some of the components are intuitive. Some are not. So a careful reading of the regulatory text would be useful.

Y&A Completion Instruction

The processor must calculate and enter the following eight items. Some of these amounts are calculated elsewhere and included in this calculation without processor input.

- The amount disclosed as the total of Section J.
- The amount of any closing costs to be paid out of loan proceeds, disclosed as a negative number.
- Down Payment/Funds from Borrower
 - The down payment required in a purchase (the amount of the difference between the purchase price of the property and the principal amount of the loan), disclosed as a positive number; or
 - In non-purchase transactions, the estimated funds required from the consumer.
- In a purchase transaction, the amount that is paid to the seller or held in trust or escrow by an attorney or other party under the terms of the agreement for the sale of the property, disclosed as a negative number. In non purchase loans, the processor should disclose "\$0."
- The amount of funds for the consumer, which is calculated by subtracting the principal amount of the credit extended from the total amount of all existing debt being satisfied in

the transaction (this is only calculated if this form of the disclosure is being used in a refinance, and additional information about this calculation appears below. In general, this field will be \$0 in most transactions

- The total amount that the seller will pay for total loan costs, to the extent known, disclosed as a negative number.
- The amount of all loan costs that are paid by persons other than the loan originator, creditor, consumer, or seller, together with any other amounts that are required to be paid by the consumer at closing pursuant to a purchase and sale contract, disclosed as a negative number.
- The sum of all of these amounts.

There is additional information about many of these fields located in the regulatory text and commentary below. A careful reading of this text is required.

Audit: What You are Looking For

To make this determination, the auditor must examine each field to verify that it is correct. This will involve a review of a number of documents, including the purchase agreement for items such as seller's credits, sale price, etc.) and other relevant file documents, such as calculation worksheets and similar items that will verify the amount(s) contained within this table. At the time of the writing of this manual, many softwares were struggling with this calculation, so care should be taken to determine that all fields are accurate.

The general requirements are set forth below, followed by the regulatory text and commentary for each field.

- The amount disclosed as the total of Section J.
- The amount of any closing costs to be paid out of loan proceeds, disclosed as a negative number.
- Down Payment/Funds from Borrower
 - The down payment required in a purchase (the amount of the difference between the purchase price of the property and the principal amount of the loan), disclosed as a positive number; or
 - In non-purchase transactions, the estimated funds required from the consumer.
- In a purchase transaction, the amount that is paid to the seller or held in trust or escrow by an attorney or other party under the terms of the agreement for the sale of the property, disclosed as a negative number. In non purchase loans, this amount is "\$0."
- The amount of funds for the consumer, which is calculated by subtracting the principal amount of the credit extended from the total amount of all existing debt being satisfied in the transaction (this is only calculated if this form of the disclosure is being used in a refinance, and additional information about this calculation appears below. In general, this field will be \$0 in most transactions
- The total amount that the seller will pay for total loan costs, to the extent known, disclosed as a negative number.
- The amount of all loan costs that are paid by persons other than the loan originator, creditor, consumer, or seller, together with any other amounts that are required to be paid

by the consumer at closing pursuant to a purchase and sale contract, disclosed as a negative number.

- The sum of all of these amounts.

All dollar amounts are rounded to the nearest dollar.

Make sure you read and understand all the “ins and outs” discussed in the regulatory text and commentary below.

Regulatory Text § 1026.37(h)(1)

- (1) For all transactions. **Under the master heading “Closing Cost Details,”** under the heading **“Calculating Cash to Close,”** the total amount of cash or other funds that must be provided by the consumer at consummation, with an itemization of that amount into the following component amounts:

Regulatory Commentary

37(h)(1) For all transactions.

1. ***Labels for amounts disclosed.*** Section 1026.37(h)(1) describes the amounts that are used to calculate the estimated amount of cash or other funds that the consumer must provide at consummation. The labels that are to be used under § 1026.37(h)(1) are illustrated by form H-24(A) of appendix H to this part.
2. ***Simultaneous subordinate financing.*** On the Loan Estimate for simultaneous subordinate financing purchase transactions, the sale price disclosed under § 1026.37(a)(7)(i) is not used under § 1026.37(h)(1) for the calculating cash to close table calculations that include the sale price as a component of the calculation. For example, sale price is generally included in the closing costs financed calculation under § 1026.37(h)(1)(ii) as a component of the estimated total amount of payments to third parties. However, for simultaneous subordinate financing transactions, the estimated total amount of payments to third parties would not include the sale price. The estimated total amount of payments to third parties only includes payments occurring in the simultaneous subordinate financing transaction other than payments toward the sale price.

CFPB Guide

A creditor discloses a calculation yielding an estimate of the cash needed from or provided to the consumer at consummation. The calculation is based on seven components:

- Total Closing Costs,
- 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 estimate is based on these components, as set out in the TILA-RESPA Rule and further discussed below and in the Compliance Guide. The calculation and its components, such as the Down Payment/Funds from Borrower, are independent of and may differ from certain loan program or investor requirements.

The diagram shows a form titled "Calculating Cash to Close" with the following line items:

Total Closing Costs (J)
Closing Costs Financed (Paid from your Loan Amount)
Down Payment/Funds from Borrower
Deposit
Funds for Borrower
Seller Credits
Adjustments and Other Credits
Estimated Cash to Close

Two callout boxes are present:

- Item One:** Total Closing Costs: Line J (points to the first line item)
- Item Two:** Closing Costs Financed (Paid from your Loan Amount) (points to the second line item)

Regulatory Text

- (i) **Total closing costs.** The amount disclosed under paragraph (g)(6) of this section, labeled “Total Closing Costs”;
- (ii) **Closing costs to be financed.** The amount of any closing costs to be paid out of loan proceeds, disclosed as a negative number, labeled “Closing Costs Financed (Paid from your Loan Amount)”;

Regulatory Commentary

37(h)(1)(ii) Closing costs financed.

1. **Calculation of amount.** The amount of closing costs financed disclosed under § 1026.37(h)(1)(ii) is determined by subtracting the estimated total amount of payments to third parties not otherwise disclosed under § 1026.37(f) and (g) from the loan amount disclosed under § 1026.37(b)(1). The estimated total amount of payments to third parties includes the sale price disclosed under § 1026.37(a)(7)(i), if applicable, unless otherwise excluded under comment 37(h)(1)-2. Other examples of payments to third parties not otherwise disclosed under § 1026.37(f) and (g) include the amount of construction costs for transactions that involve improvements to be made on the property and payoffs of secured or unsecured debt. If the result of the calculation is

zero or negative, the amount of \$0 is disclosed under § 1026.37(h)(1)(ii). If the result of the calculation is a positive number, that amount is disclosed as a negative number under § 1026.37(h)(1)(ii), but only to the extent that the absolute value of the amount disclosed under § 1026.37(h)(1)(ii) does not exceed the total amount of closing costs disclosed under § 1026.37(g)(6).

2. *Loan amount. The loan amount disclosed under § 1026.37(b)(1), a component of the closing costs financed calculation, is the total amount the consumer will borrow, as reflected by the face amount of the note.*

CFPB Guide

Total Closing Costs

Total Closing Costs is the same amount disclosed as **Total Closing Costs** in the **Other Costs** table (see section 2.3.2 above). The amount is disclosed as a positive number. (§ 1026.37(h)(1)(i))

Closing Costs Financed (Paid from Your Loan Amount)

Closing Costs Financed (Paid from your Loan Amount) is calculated by subtracting the estimated total amount of payments to third parties not otherwise disclosed in the **Loan Costs** (see section 2.3.1 above) and **Other Costs** (see section 2.3.2 above) tables from the **Loan Amount** disclosed on page 1 of the **Loan Estimate** (see section 2.2.2 above). For a **Purchase** loan other than a simultaneous subordinate lien loan, the **Sale Price** is included in the **Closing Costs Financed** calculation as a payment to a third party. The **Sale Price** is not included in the **Closing Costs Financed** disclosure for a simultaneous subordinate lien loan, even if it is a **Purchase** transaction. Other examples of payments to third parties not otherwise disclosed in the **Loan Costs** or **Other Costs** tables include the amount of construction costs for transactions that involve improvements to be made on the property and payoffs of secured or unsecured debt. (Comment 37(h)(1)(ii)-1)

- If the result of the calculation is a positive number, **Closing Costs Financed (Paid from Your Loan Amount)** is that amount, disclosed as a negative number, but only to the extent that it does not exceed the amount of **Total Closing Costs**.
- If the result of the calculation is zero or negative, then **Closing Costs Financed (paid from Your Loan Amount)** is \$0. (Comment 37(h)(1)(ii)-1)

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

Line 3: Down Payment/Funds from Borrower

Regulatory Text

(iii) Downpayment and other funds from borrower. Labeled “Down Payment/Funds from Borrower”:

(A)

(1) In a purchase transaction as defined in paragraph (a)(9)(i) of this section, the amount determined by subtracting the sum of the loan amount disclosed under paragraph (b)(1) of this section and any amount of existing loans assumed or taken subject to that will be disclosed under § 1026.38(j)(2)(iv) from the sale price of the property disclosed under paragraph (a)(7)(i) of this section, except as required by paragraph (h)(1)(iii)(A)(2) of this section;

(2) In a purchase transaction as defined in paragraph (a)(9)(i) of this section that is a simultaneous subordinate financing transaction or that involves improvements to be made on the property, or when the sum of the loan amount disclosed under paragraph (b)(1) of this section and any amount of existing loans assumed or taken subject to that will be disclosed under § 1026.38(j)(2)(iv) exceeds the sale price of the property disclosed under paragraph (a)(7)(i) of this section, the amount of estimated funds from the consumer as determined in accordance with paragraph (h)(1)(v) of this section; or

(B) In all transactions not subject to paragraph (h)(1)(iii)(A) of this section, the amount of estimated funds from the consumer as determined in accordance with paragraph (h)(1)(v) of this section;

Regulatory Commentary

37(h)(1)(iii) Downpayment and other funds from borrower.

- 1. Down payment and funds from borrower calculation.** For purposes of § 1026.37(h)(1)(iii)(A)(1), the down payment and funds from borrower amount is calculated as the difference between the sale price of the property disclosed under § 1026.37(a)(7)(i) and the sum of the loan amount and any amount of existing loans assumed or taken subject to that will be disclosed on the Closing Disclosure under §

1026.38(j)(2)(iv). *The calculation is independent of any loan program or investor requirements.*

- 2. Funds for borrower.** *Section 1026.37(h)(1)(iii)(A)(2) requires that, in a purchase transaction as defined in paragraph (a)(9)(i) of this section that is a simultaneous subordinate financing transaction or that involves improvements to be made on the property, or when the sum of the loan amount disclosed under § 1026.37(b)(1) and any amount of existing loans assumed or taken subject to that will be disclosed under § 1026.38(j)(2)(iv) exceeds the sale price disclosed under § 1026.37(a)(7)(i), the amount of funds from the consumer is determined in accordance with § 1026.37(h)(1)(v). Section 1026.37(h)(1)(iii)(B) requires that, for all non-purchase transactions, the amount of estimated funds from the consumer is determined in accordance with § 1026.37(h)(1)(v). Pursuant to § 1026.37(h)(1)(v), the amount to be disclosed under § 1026.37(h)(1)(iii)(A)(2) or (B) is determined by subtracting the sum of the loan amount disclosed under § 1026.37(b)(1) and any amount of existing loans assumed or taken subject to that will be disclosed under § 1026.38(j)(2)(iv) (excluding any closing costs financed disclosed under § 1026.37(h)(1)(ii)) from the total amount of all existing debt being satisfied in the transaction. The total amount of all existing debt being satisfied in the transaction is the sum of the amounts that will be disclosed on the Closing Disclosure in the summaries of transactions table under § 1026.38(j)(1)(ii), (iii), and (v), as applicable. When the result of the calculation is positive, that amount is disclosed under § 1026.37(h)(1)(iii) as “Down Payment/Funds from Borrower,” and \$0 is disclosed under § 1026.37(h)(1)(v) as “Funds for Borrower.” When the result of the calculation is negative, that amount is disclosed as a negative number under § 1026.37(h)(1)(v) as “Funds for Borrower,” and \$0 is disclosed under § 1026.37(h)(1)(iii) as “Down Payment/Funds from Borrower.” When the result is \$0, \$0 is disclosed as “Down Payment/Funds from Borrower” and “Funds for Borrower” under § 1026.37(h)(1)(iii) and (v), respectively.*

CFPB Guide

In a Purchase loan other than a simultaneous subordinate lien loan or a loan that involves improvements to be made on the property, subtract the sum of:

- The Loan Amount,
- Any existing loans the Borrower will assume, and
- Any loans subject to which the Borrower will take title to the Property,

from the Sale Price. The calculation is Sale Price less Loan Amount less the amount that will be disclosed as Existing Loans Assumed or Taken Subject to on the Closing Disclosure’s Summaries of Transactions table. If the result is \$0 or a positive number, disclose that result as Down Payment/ Funds from Borrower. (§ 1026.37(h)(1)(iii)(A)) However, when the sum of the Loan Amount and the amount to be disclosed as Existing Loans Assumed or Taken Subject to exceeds the Sale Price, the result will be negative. In such cases, the creditor must perform another calculation, as discussed immediately below, to determine what number to disclose as Down Payment/Funds from Borrower. (§ 1026.37(h)(1)(iii))

For a Purchase loan that is a simultaneous subordinate lien loan, a Purchase loan that involves improvements to be made on the property, or a Purchase loan where the sum of the Loan Amount and the amount to be disclosed as Existing Loans Assumed or Taken Subject to exceeds the Sale Price, subtract the sum of the Loan Amount and the amount that will be disclosed as Existing Loans Assumed or Taken Subject to (excluding any amount disclosed as Closing Costs Financed (Paid from your Loan Amount)) from the total amount of all existing debt being satisfied in the transaction. (§ 1026.37(h)(1)(iii)(A)(2)) If this calculation yields an amount that is positive, disclose that amount as the Down Payment/Funds from Borrower.

If this calculation yields a negative amount or \$0, disclose \$0 as the Down Payment/Funds from Borrower. (Comment 37(h)(1)(iii)-2)

For purposes of calculating the Down Payment/Funds from Borrower, “the total amount of all existing debt being satisfied in the transaction” is the sum of amounts that will be disclosed on the Closing Disclosure in the Summaries of Transactions under § 1026.38(j)(1)(ii), (iii) and (v), as applicable. (Comment 37(h)(1)(v)-2. Generally, this includes the Sale Price of Property, the Sale Price of Any Personal Property Included in the Sale as well as the Adjustments and the other consumer charges that may be disclosed on Line K.04.

In all other transactions, subtract the sum of the Loan Amount and the amount that will be disclosed as Existing Loans Assumed or Taken Subject to (excluding any amount disclosed as Closing Costs Financed (Paid from your Loan Amount) from the total amount of all existing debt being satisfied in the transaction. (§ 1026.37(h)(1)(iii)(B)) If this calculation yields an amount that is positive, disclose that amount as the Down Payment/Funds from Borrower.

If this calculation yields a negative amount or \$0, disclose \$0 as the Down Payment/Funds from Borrower. (§ 1026.37(h)(1) (iii)(B))

The calculation of Down Payment/ Funds from Borrower is independent of any loan program or investor requirements. (Comment 37(h)(1)(iii)-1))

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

Line 4: Deposit

Line 5: Funds for Borrower

Regulatory Text

(iv) **Deposit.**

- (A) In a purchase transaction as defined in paragraph (a)(9)(i) of this section, the amount that is paid to the seller or held in trust or escrow by an attorney or other party under the terms of the agreement for the sale of the property, disclosed as a negative number, labeled **“Deposit”**;
- (B) In all transactions other than purchase transactions as defined in paragraph (a)(9)(i) of this section, the amount of \$0, labeled **“Deposit”**;

(v) **Funds for borrower.** The amount of funds for the consumer, labeled **“Funds for Borrower.”** The amount of the down payment and other funds from the consumer disclosed under paragraph (h)(1)(iii)(A)(2) or (B) of this section, as applicable, and of funds for the consumer disclosed under this paragraph (h)(1)(v), are determined by subtracting the sum of the loan amount disclosed under paragraph (b)(1) of this section and any amount of existing loans assumed or taken subject to that will be disclosed under § 1026.38(j)(2)(iv) (excluding any closing costs financed disclosed under paragraph (h)(1)(ii) of this section) from the total amount of all existing debt being satisfied in the transaction;

- (A) If the calculation under this paragraph (h)(1)(v) yields an amount that is a positive number, such amount is disclosed under paragraph (h)(1)(iii)(A)(2) or (B) of this section, as applicable, and \$0 is disclosed under this paragraph (h)(1)(v);
- (B) If the calculation under this paragraph (h)(1)(v) yields an amount that is a negative number, such amount is disclosed under this paragraph (h)(1)(v) as a negative number, and \$0 is disclosed under paragraph (h)(1)(iii)(A)(2) or (B) of this section, as applicable;
- (C) If the calculation under this paragraph (h)(1)(v) yields \$0, then \$0 is disclosed under paragraph (h)(1)(iii)(A)(2) or (B) of this section, as applicable, and under this paragraph (h)(1)(v);

Regulatory Commentary

37(h)(1)(iv) Deposit.

1. Section 1026.37(h)(1)(iv)(A) requires disclosure of a deposit in a purchase transaction. The deposit to be disclosed under § 1026.37(h)(1)(iv)(A) is any amount that the consumer has agreed to pay to a party identified in the real estate purchase and sale agreement to be held until consummation of the transaction, which is often referred to as an earnest money deposit. In a purchase transaction in which no such deposit is paid in connection with the transaction, § 1026.37(h)(1)(iv)(A) requires the creditor to disclose \$0. In any other type of transaction, § 1026.37(h)(1)(iv)(B) requires disclosure of the deposit amount as \$0.

37(h)(1)(v) Funds for borrower.

- 1. No funds for borrower. When the down payment and other funds from the borrower is determined in accordance with § 1026.37(h)(1)(iii)(A)(1), the amount disclosed under § 1026.37(h)(1)(v) as funds for the borrower is \$0.**
- 2. Total amount of existing debt satisfied in the transaction. The amounts disclosed under § 1026.37(h)(1)(iii)(A)(2) or (B), as applicable, and (h)(1)(v) are determined by subtracting the sum of the loan amount disclosed under § 1026.37(b)(1) and any amount of existing loans assumed or taken subject to that will be disclosed on the Closing Disclosure under § 1026.38(j)(2)(iv) (excluding any closing costs financed disclosed under § 1026.37(h)(1)(ii)) from the total amount of all existing debt being satisfied in the transaction. The total amount of all existing debt being satisfied in the transaction is the sum of the amounts that will be disclosed on the Closing Disclosure in the summaries of transactions table under § 1026.38(j)(1)(ii), (iii), and (v), as applicable.**

CFPB Guide**Deposit**

In a Purchase transaction, Deposit is the amount, disclosed as a negative number, that is paid to the seller or held in trust or escrow by an attorney or other party under the terms of the contract for sale of the property. (§ 1026.37(h)(1)(iv)(A))

In all other transactions, Deposit is \$0. (§ 1026.37(h)(1)(iv)(B))

Funds for Borrower

In a Purchase loan (other than a simultaneous subordinate lien loan, a Purchase loan that involves improvements to be made on the property, or a loan where the sum of the Loan Amount and the amount to be disclosed as Existing Loans Assumed or Taken Subject to exceeds the Sale Price), disclose \$0 as Funds for Borrower. (Comment 37(h)(1)(v)-1)

In all other transactions, subtract the sum of the Loan Amount and the amount to be disclosed as Existing Loans Assumed or Taken Subject to (excluding any amount disclosed as Closing Costs Financed (Paid from your Loan Amount)) from the total amount of all existing debt being satisfied in the transaction. If this calculation yields a negative amount, disclose that amount as Funds for Borrower.

If the calculation yields a positive amount or \$0, disclose \$0 as Funds for Borrower. (§ 1026.37(h)(1)(v))

For purposes of calculating the Funds for Borrower, “the total amount of all existing debt being satisfied in the transaction” is the sum of amounts that will be disclosed on the Closing Disclosure in the Summaries of Transactions under § 1026.38(j)(1)(ii), (iii) and (v), as applicable. (Comment 37(h)(1)(v)-2. Generally, this includes the Sale Price of

Property, the Sale Price of Any Personal Property Included in the Sale as well as the Adjustments and the other consumer charges that may be disclosed on Line K.04.

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

Line 6: Seller Credits

Line 7: Adjustments and Other Credits

Regulatory Text

- (vi) **Seller credits.** The total amount that the seller will pay for total loan costs as determined by paragraph (f)(4) of this section and total other costs as determined by paragraph (g)(5) of this section, to the extent known, disclosed as a negative number, labeled “**Seller Credits**”;
- (vii) **Adjustments and other credits.** The amount of all loan costs determined under paragraph (f) of this section and other costs determined under paragraph (g) of this section that are paid by persons other than the loan originator, creditor, consumer, or seller, together with any other amounts not otherwise disclosed under paragraph (f) or (g) of this section that are required to be paid by the consumer at closing in a transaction disclosed under paragraph (h)(1)(iii)(A)(I) of this section or pursuant to a purchase and sale contract, labeled “Adjustments and Other Credits”; and

Regulatory Commentary

37(h)(1)(vi) Seller credits.

- 1. Non-specific seller credits to be disclosed. Non-specific seller credits, i.e., general payments from the seller to the consumer that do not pay for a particular fee on the disclosures provided under § 1026.19(e)(1), known to the creditor at the time of delivery of the Loan Estimate, are disclosed under § 1026.37(h)(1)(vi). For example, a creditor may learn the amount of seller credits that will be paid in the transaction from information obtained from the consumer, from a review of the purchase and sale contract, or from information obtained from a real estate agent in the transaction.*
- 2. Seller credits for specific charges. To the extent known by the creditor at the time of delivery of the Loan Estimate, specific seller credits, i.e., seller credits for specific items disclosed under § 1026.37(f) and (g), may be either disclosed under § 1026.37(h)(1)(vi) or reflected in the amounts disclosed for those specific items under*

§ 1026.37(f) and (g). For example, if the creditor knows at the time of the delivery of the Loan Estimate that the seller has agreed to pay half of a \$100 required pest inspection fee, the creditor may either disclose the required pest inspection fee as \$100 under § 1026.37(f) with a \$50 seller credit disclosed under § 1026.37(h)(1)(vi) or disclose the required pest inspection fee as \$50 under § 1026.37(f), reflecting the specific seller credit in the amount disclosed for the pest inspection fee. If the creditor knows at the time of the delivery of the Loan Estimate that the seller has agreed to pay the entire \$100 pest inspection fee, the creditor may either disclose the required pest inspection fee as \$100 under § 1026.37(f) with a \$100 seller credit disclosed under § 1026.37(h)(1)(vi) or disclose nothing under § 1026.37(f), reflecting that the specific seller credit will cover the entire pest inspection fee.

37(h)(1)(vii) Adjustments and other credits.

1. **Other credits known at the time the Loan Estimate is issued.** Amounts expected to be paid at closing by third parties not otherwise associated with the transaction, such as gifts from family members and not otherwise identified under § 1026.37(h)(1), are included in the amount disclosed under § 1026.37(h)(1)(vii). Amounts expected to be provided in advance of closing by third parties, including family members, not otherwise associated with the transaction are not required to be disclosed under § 1026.37(h)(1)(vii).
2. **Persons that may make payments causing adjustment and other credits.** Persons, as defined under § 1026.2(a)(22), means natural persons or organizations. Accordingly, persons that may pay amounts disclosed under § 1026.37(h)(1)(vii) include, for example, any individual family members providing gifts or a developer or home builder organization providing a credit in the transaction.
3. **Credits.** Only credits from persons other than the creditor or seller can be disclosed pursuant to § 1026.37(h)(1)(vii). Seller credits and credits from the creditor are disclosed pursuant to § 1026.37(h)(1)(vi) and § 1026.37(g)(6)(ii), respectively.
4. **Other credits to be disclosed.** Credits other than those from the creditor or seller are disclosed under § 1026.37(h)(1)(vii). Disclosure of other credits is, like other disclosures under § 1026.37, subject to the good faith requirement under § 1026.19(e)(1)(i). See § 1026.19(e)(1)(i) and comments 17(c)(2)(i)-1 and 19(e)(1)(i)-1. The creditor may obtain information regarding items to be disclosed under § 1026.37(h)(1)(vii), for example, from the consumer, from a review of the purchase and sale contract, or from information obtained from a real estate agent in the transaction.
5. **Proceeds from subordinate financing or other source.** Funds that are provided to the consumer from the proceeds of subordinate financing, local or State housing assistance grants, or other similar sources are included in the amount disclosed under § 1026.37(h)(1)(vii) on the first lien transaction Loan Estimate.
6. **Reduction in amounts for adjustments.** Adjustments that require additional funds from the consumer in a transaction disclosed using the formula under §

1026.37(h)(1)(iii)(A)(1) or pursuant to the real estate purchase and sale contract, such as for additional personal property that will be disclosed on the Closing Disclosure under § 1026.38(j)(1)(iii) or adjustments that will be disclosed on the Closing Disclosure under § 1026.38(j)(1)(v), are only included in the amount disclosed under § 1026.37(h)(1)(vii) if such amounts are not included in the calculation under § 1026.37(h)(1)(iii)(A)(2) or (B) or § 1026.37(h)(1)(v) as debt being satisfied in the transaction. Other examples of adjustments for additional funds from the consumer include payoffs of secured or unsecured debt in a purchase transaction disclosed using the formula under § 1026.37(h)(1)(iii)(A)(1) or prorations for property taxes and homeowner's association dues. The total amount disclosed under § 1026.37(h)(1)(vii) is a sum of adjustments requiring additional funds from the consumer, calculated as positive amounts, and other credits, such as those provided for in comment 37(h)(1)(vii)-1, calculated as negative amounts.

CFPB Guide

Seller Credits

Seller Credits is the sum of the amounts that the seller will pay for items included in the Loan Costs and Other Costs table, to the extent known. The amount disclosed as Seller Credits in the Calculating Cash to Close table includes non-specific or general seller credits and any specific seller credits not disclosed in the Loan Costs or Other Costs table. Non-specific or general seller credits are payments from the seller to the consumer that do not pay for a particular fee. Specific seller credits are payments from the seller to the consumer to pay for a specific fee. (Comments 37(h)(1)(iv)- 1 and -2) The Seller Credit amount in the Calculating Cash to Close table is disclosed as a negative number. (§ 1026.37(h)(1)(vi))

Adjustments and Other Credits

Adjustments and Other Credits is the sum of adjustments requiring additional funds from the consumer, calculated as a positive amount, and other credits for certain items expected to be paid at closing by persons other than the loan originator, creditor, consumer, or seller, calculated as negative amounts. The calculation includes:

- The total of all items in the Loan Costs and Other Costs tables that are expected to be paid at closing by persons other than the loan originator, creditor, consumer, or seller. A creditor is not required to include such amounts if they are expected to be paid in advance of closing. Examples of items that are paid by persons other than the loan originator, creditor, consumer, or seller include: Gifts from family members expected to be paid at closing. Gifts expected to be paid in advance of closing are not included.
- Credits from a developer or home builder to be applied to items in the Loan Costs and Other Costs tables. (Comment 37(h)(1)(vii)-1 and -2)
- Funds provided to the consumer from the proceeds of subordinate financing, local or State housing assistance grants, or other similar sources. (Comment

37(h)(1)(vii)-5) For a Purchase transaction that involves both a first lien loan and a simultaneous subordinate lien loan, these amounts are included in the Loan Estimate for the first lien loan only.

- Any other amounts (i.e., amounts not included in the Loan Costs or Other Costs tables) that are required to be paid by the consumer at closing or pursuant to the contract of sale (if any) as long as they are not already included in the calculation for Down Payment/Funds from Borrower or Funds for Borrower as debt that is being satisfied in the transaction.

Examples of amounts to be paid by the consumer at closing pursuant to the contract of sale include:

- Charges for personal property to be acquired by the consumer,
- Prorations for property taxes, and
- Prorations for homeowner's association dues.

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

Total: Estimated Cash to Close

Regulatory Text

(viii) **Estimated Cash to Close.** The sum of the amounts disclosed under paragraphs (h)(1)(i) through (vii) labeled “Cash to Close.”

Regulatory Commentary

37(h)(1)(viii) Estimated cash to close.

1. **Result of cash to close calculation.** The sum of the amounts disclosed pursuant to § 1026.37(h)(1)(i) through (vii) is disclosed under § 1026.37(h)(1)(viii) as either a positive number, a negative number, or zero. A positive number indicates the amount that the consumer will pay at consummation. A negative number indicates the amount that the consumer will receive at consummation. A result of zero indicates that the consumer will neither pay nor receive any amount at consummation.

CFPB Guide

Estimated Cash to Close is calculated as the sum of the seven other amounts disclosed in the Estimated Cash to Close table. (§ 1026.37(h)(1)(viii))

[44] Transactions with No Seller (page 2, Calculating Cash to Close) - High

Calculating Cash to Close	
Loan Amount	
Total Closing Costs (J)	
Estimated Total Payoffs and Payments	
Estimated Cash to Close <input type="checkbox"/> From <input type="checkbox"/> To Borrower	
Estimated Closing Costs Financed (Paid from your Loan Amount)	

This is a simplified Cash to Close table for non-purchase loans.

Y&A Completion Instruction

This table is an alternate version of Instruction that is designed for use for use for non-purchase loans. There are fewer fields here, making this a good choice for these types of loans.

The fields are:

- The loan amount
- The closing costs as they are disclosed as the total of Section J.
- The estimated total payoffs and payments to be made in the refinance
- The estimated cash to close
- The estimated closing costs financed.

Additional information about many of these fields located in the regulatory text and commentary below.

Note that this version of the form will not accommodate any credits other than a lender's credit, not will it accommodate any situation in which funds will be held in escrow. A reading of all the regulatory text and commentary will be helpful.

Audit: What You are Looking For

To make this determination, the auditor must examine each field to verify that it is correct. The major verification document(s) will be those that indicate the potential payoff amounts for those loans being refinanced. All other amounts in this table come from other fields within the Loan Estimate itself, or fields that are calculated.

This table is an alternate version of Instruction that is designed for use for use for non-purchase loans. There are fewer fields here, making this a good choice for these types of loans.

The fields are:

- The loan amount
- The closing costs as they are disclosed as the total of Section J.
- The estimated total payoffs and payments to be made in the refinance
- The estimated cash to close
- The estimated closing costs financed.

Additional information about many of these fields located in the regulatory text and commentary below.

Note that this version of the form will not accommodate any credits other than a lender's credit, not will it accommodate any situation in which funds will be held in escrow. The auditor should assure that the loan does not contain these types of items. All dollar amounts are rounded to the nearest dollar. A reading of all the regulatory text and commentary will be helpful.

Regulatory Text § 1026.37(h)(2)

(2) Optional alternative calculating cash to close table for transactions without a seller or for simultaneous subordinate financing. For transactions that do not involve a seller or for simultaneous subordinate financing, instead of the table described in paragraph (h)(1) above, the creditor may alternatively provide, in a separate table, under the master heading "Closing Cost Details," under the heading "Calculating Cash to Close," the total amount of cash or other funds that must be provided by the consumer at consummation with an itemization of that amount into the following component amounts:

- (i) Loan amount.** The amount disclosed under paragraph (b)(1) of this section, labeled "Loan Amount";
- (ii) Total closing costs.** The amount disclosed under paragraph (g)(6) of this section, disclosed as a negative number if the amount disclosed under paragraph (g)(6) of this section is a positive number and disclosed as a positive number if the amount disclosed under paragraph (g)(6) of this section is a negative number, labeled "Total Closing Costs";
- (iii) Payoffs and payments.** The total amount of payoffs and payments to be made to third parties not otherwise disclosed under paragraphs (f) and (g) of this section, labeled "Total Payoffs and Payments";
- (iv) Cash to or from consumer.** The amount of cash or other funds due from or to the consumer and a statement of whether the disclosed estimated amount is due from or to the consumer, calculated by the sum of the amounts disclosed under paragraphs (h)(2)(i) through (iii), labeled "Cash to Close"; and
- (v) Closing costs financed.** The sum of the amounts disclosed under paragraphs (h)(2)(i) and (iii) of this section, but only to the extent that the sum is greater than zero and less than or equal to the sum disclosed under paragraph (g)(6) of this section, labeled "Closing Costs Financed (Paid from your Loan Amount)."

Regulatory Commentary

37(h)(2) Optional alternative calculating cash to close table for transactions without seller or for simultaneous subordinate financing.

1. **Optional use.** *The optional alternative disclosure of the calculating cash to close table in § 1026.37(h)(2) may only be provided by a creditor in a transaction without a seller or for simultaneous subordinate financing. In a purchase transaction, the optional alternative disclosure may be used for the simultaneous subordinate financing Loan Estimate only if the first-lien Closing Disclosure will record the entirety of the seller's transaction. The use of this alternative table for transactions without a seller or for simultaneous subordinate financing is optional, but creditors may only use this alternative estimated cash to close disclosure in conjunction with the alternative disclosure under § 1026.37(d)(2).*

37(h)(2)(iii) Payoffs and payments.

1. **Examples.** *Examples of the amounts incorporated in the total amount disclosed under § 1026.37(h)(2)(iii) include, but are not limited to: payoffs of existing liens secured by the property identified under § 1026.37(a)(6) such as existing mortgages, deeds of trust, judgments that have attached to the real property, mechanics' and materialmen's liens, and local, State and Federal tax liens; payments of unsecured outstanding debts of the consumer; construction costs associated with the transaction that the consumer will be obligated to pay in any transaction in which the creditor is otherwise permitted to use the alternative calculating cash to close table; and payments to other third parties for outstanding debts of the consumer, excluding settlement services, as required to be paid as a condition for the extension of credit. Amounts that will be paid with funds provided by the consumer, including partial payments, such as a portion of construction costs, or amounts that will be paid by third parties and will be disclosed on the Closing Disclosure under § 1026.38(t)(5)(vii)(B), are calculated as credits, using positive numbers, in the total amount disclosed under § 1026.37(h)(2)(iii).*

2. Disclosure of subordinate financing.

i. **First-lien Loan Estimate.** *On the Loan Estimate for a first-lien transaction disclosed with the optional alternative table pursuant to § 1026.37(h)(2), such as a refinance transaction that also has simultaneous subordinate financing, the proceeds of the simultaneous subordinate financing are included, as a positive number, in the total amount disclosed under § 1026.37(h)(2)(iii). The total amount disclosed under § 1026.37(h)(2)(iii) is a negative number unless the proceeds from the subordinate financing and any amounts entered as credits as discussed in comment 37(h)(2)(iii)-1 equal or exceed the total amount of other payoffs and payments that are included in the calculation under § 1026.37(h)(2)(iii). If the proceeds from the subordinate financing and any amounts entered as credits as discussed in comment 37(h)(2)(iii)-1 equal or exceed the total amount of other payoffs and payments that are included in the calculation under § 1026.37(h)(2)(iii), the total amount disclosed under § 1026.37(h)(2)(iii) is disclosed as \$0 or a positive number.*

- ii. Simultaneous subordinate financing Loan Estimate.** *On the simultaneous subordinate financing Loan Estimate disclosed with the optional alternative table pursuant to § 1026.37(h)(2), the proceeds of the subordinate financing that will be applied to the first-lien transaction may be included in the payoffs and payments disclosure under § 1026.37(h)(2)(iii).*

37(h)(2)(iv) Cash to or from consumer.

- 1. Method of indication.** *The indication of whether the estimated cash to close is either due from or payable to the consumer is made by the use of check boxes, which is illustrated by form H-24(D) of appendix H to this part.*

37(h)(2)(v) Closing costs financed.

- 1. Limitation on amount disclosed.** *The amount disclosed under § 1026.37(h)(2)(v) is limited to the total amount of closing costs disclosed under § 1026.37(g)(6), even if the difference between § 1026.37(h)(2)(i) and § 1026.37(h)(2)(iii) is greater than the amount disclosed under § 1026.37(g)(6).*

CFPB Guide

An optional Alternative Calculating Cash to Close table can be disclosed for a transaction without a seller. It can also be disclosed for a simultaneous subordinate lien loan in a purchase transaction if the Closing Disclosure for the first lien transaction will disclose all required information related to the seller. (§ 1026.37(h)(2); Comment 37(h)(2)-1)

This Alternative Calculating Cash to Close table would be used in place of the table in Figure 19. (§ 1026.37(h)(2)) A creditor that uses the optional Alternative Calculating Cash to Close table must also use the alternative disclosure provisions of the Alternative Costs at Closing table on Loan Estimate page 1. (see section 2.2.4 above; Comment 37(h)(2)-1)

Loan Amount

The amount disclosed as Loan Amount is the same amount disclosed as Loan Amount on Loan Estimate page 1. (see section 2.2.2 above; § 1026.37(h)(2)(i))

Total Closing Costs

If the amount disclosed as the Total Closing Costs in the Other Costs table is a positive number, disclose that amount as a negative number. If the amount disclosed in the Total Closing Costs in the Other Costs table is a negative number, disclose that amount as a positive number. (§ 1026.37(h)(2)(ii))

Estimated Payoffs and Payments

Estimated Payoffs and Payments is the total amount to be paid to third parties not otherwise disclosed as items in the Loan Costs or Other Costs tables. (§

1026.37(h)(2)(iii)) Estimated Payoffs and Payments is disclosed as a negative number unless the proceeds from a simultaneous subordinate lien loan and any amounts entered as credits (i.e., amounts that will be paid with funds provided by the consumer or amounts that will be disclosed in the Closing Costs Details table and that will be paid by third parties) equal or exceed the total amount of other payoffs and payments. (Comment 37(h)(2)(iii)-1 and 2.i) In that case, the Estimated Payoffs and Payments is disclosed as a positive number.

Examples of the Payoffs and Payments to be made to third parties not otherwise disclosed in the Loan Costs or Other Costs tables can include:

- Payoffs of existing liens secured by the property such as mortgages, deeds of trust, judgments that have attached to the property,
- Mechanics' and materialmans' liens,
- Local, State, and Federal tax liens,
- Payments of unsecured outstanding debts of the consumer, and
- **Construction costs that are associated with the transaction and that the consumer will be obligated to pay, and**
- Payments to other third parties for outstanding debts of the consumer as required to be paid as a condition for the extension of credit. (Comment 37(h)(2)(iii)-1)

For a transaction that involves a first lien loan disclosed using the optional table and that also involves a simultaneous subordinate lien loan, the proceeds of the simultaneous subordinate lien loan are included, as a positive number, in the total amount disclosed as Payoffs and Payments on the Loan Estimate for the first lien loan. (Comment 37(h)(2)(iii)-2.i) The proceeds of a simultaneous subordinate lien loan that will be applied to the first lien loan may be included in the Payoffs and Payments for the subordinate lien loan. (Comment 37(h)(2)(iii)-2.ii)

Estimated Cash to Close

The amount for the Estimated Cash to Close is the sum total of the amounts disclosed as Loan Amount, Total Closing Costs, and Payoffs and Payments. (§ 1026.37(h)(2)(iv)) Check boxes are used to disclose whether the Estimated Cash to Close is either due from the consumer or will be paid to the consumer at consummation. (Comment 37(h)(2)(iv)-1)

Estimated Closing Costs Financed

Closing Costs Financed is the sum of Loan Amount and Payoffs and Payments, but only to the extent the amount is greater than zero and less than or equal to the sum of Total Closing Costs. (§ 1026.37(h)(2)(v))

For example:

- If the Loan Amount is \$100,000, the Payoffs and Payments is -\$80,000, and the Total Closing Costs is \$10,000; then the Closing Costs Financed would be \$10,000.

- If the Loan Amount is \$100,000, the Payoff and Payments is -\$95,000, and the Total Closing Costs is \$10,000; then the Closing Costs Financed would be \$5,000.
- If the Loan Amount is \$100,000, the Payoffs and Payments is -\$110,000 and the Total Closing Costs is \$10,000; then the Closing Costs Financed would be \$0.

Section 10: Adjustable Payment Table

12 CFR § 1026.37(i)

[45] Adjustable Payment Table (page 2, bottom left) - Moderate

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

This table only used if the payment amount may change

Y&A Completion Instruction

The AP table may only be disclosed if the periodic principal and interest payment may change after consummation based on a factor other than a change to the interest rate, or if the transaction is a seasonal payment product. The creditor is not permitted to show this table on the Loan Estimate if the loan terms do not meet these requirements, even if the table were left blank. As a result, if the answers to the first four questions are all “no,” this table does not appear.

Audit: What You are Looking For

To make this determination, the auditor must first determine whether the answer to any of the first four questions is “Yes.” If all four questions are answered “no,” this table should not appear. The auditor must determine if each item is correct. Instructions for the audit of each field is included below.

Regulatory Text § 1026.37(i)

- (i) **Adjustable payment table.** If the periodic principal and interest payment may change after consummation but not based on an adjustment to the interest rate, or if the transaction is a seasonal payment product as described in paragraph (a)(10)(ii)(E) of this section, a separate table under the master heading “**Closing Cost Details**” required by paragraph (f) of this section and under the heading “**Adjustable Payment (AP) Table**” that contains the following information and satisfies the following requirements:

Regulatory Commentary

37(i) Adjustable payment table.

1. **When table is not permitted to be disclosed.** The disclosure described in § 1026.37(i) is required only if the periodic principal and interest payment may change after consummation based on a loan term other than a change to the interest rate, or the transaction contains a seasonal payment product feature as described in § 1026.37(a)(10)(ii)(E). If the transaction does not contain such loan terms, this table shall not appear on the Loan Estimate.
2. **Periods to be disclosed.** Section 1026.37(i)(1) through (4) requires disclosure of the periods during which interest only, optional payment, step payment, and seasonal payment product features will be in effect. The periods required to be disclosed should be disclosed by describing the number of payments counting from the first periodic payment due after consummation. The period of seasonal payments required to be disclosed by § 1026.37(i)(4), to be clear and conspicuous, should be disclosed with a noun that identifies the unit-period, because such feature may apply on a regular basis during the loan term that does not depend on when regular periodic payments begin. The disclosures required by § 1026.37(i)(1) through (4) may include abbreviations to fit in the space provided for the information on form H-24, provided the information is disclosed in a clear and conspicuous manner. For example:
 - i. **Period from date of consummation.** If a loan has an interest only period for the first 60 regular periodic payments due after consummation, the disclosure states **“for your first 60 payments.”**
 - ii. **Period during middle of loan term.** If the loan has an interest only period between the 61st and 85th payments, the disclosure states **“from your 61st to 85th payment.”**
 - iii. **Multiple successive periods.** If there are multiple periods during which a certain adjustable payment term applies, such as a period of step payments that occurs from the first through 12th payments, does not occur from the 13th through 24th payments, and occurs again from the 25th through 36th payments, the period disclosed is the entire span of all such periods. Accordingly, such period is disclosed as **“for your first 36 payments.”**
 - iv. **Seasonal payments.** For a seasonal payment product with a unit-period of a month that does not require periodic payments for the months of June, July, and August each year during the loan term, because such feature depends on calendar months and not on when regular periodic payments begin, the period is disclosed as **“from June to August.”** For a transaction with a quarterly unit-period that does not require a periodic payment every third quarter during the loan term and does not depend on calendar months, the period is disclosed as **“every third payment.”** In the same transaction, if the seasonal payment feature ends after the 20th quarter, the period is disclosed as **“every quarter until the 20th quarter.”** As described above in this comment 37(i)-2, the creditor may abbreviate **“quarter”** to **“quart.”** or **“Q.”**

CFPB Guide

The Adjustable Payment (AP) Table is disclosed when the periodic principal and interest payment may change after consummation, but not because of a change to the interest rate, or the

loan is considered to be a Seasonal Payment product. (§ 1026.37(i)) For example, the AP Table is disclosed on a Fixed Rate loan with an Step Payment feature that is not the result of a change to the interest rate. If the loan does not contain these features, the AP Table is not disclosed. (Comment 37(i)-1)

The AP Table includes the following information (§ 1026.37(i)):

- Whether there are Interest Only Payments, and, if so, the period during which the interest only payment would apply (§ 1026.37(i)(1));
- Whether the amount of any periodic payment can be selected by the consumer as an Optional Payment and, if so, the period during which the consumer can select optional payments (§ 1026.37(i)(2));
- Whether the loan is a Step Payment product and, if so, the period during which the regular periodic payments are scheduled to increase (§ 1026.37(i)(3));
- Whether the loan is a Seasonal Payment product, and, if so, the period during which the periodic payments are not scheduled (§ 1026.37(i)(4));
- A subheading of Monthly Principal and Interest Payments (§ 1026.37(i)(5)), that also lists: As First Change/Amount, the number of the payment that may change, counting from the first periodic payment due after consummation, and the amount or range of the periodic principal and interest payment for such payment (§ 1026.37(i)(5)(i));
- The frequency of Subsequent Changes to the periodic payment (§ 1026.37(i)(5)(ii)); and
- The Maximum Payment that may be paid during the term of the loan with the number of the first periodic principal and interest payment that can reach such Maximum Payment amount. (§ 1026.37(i)(5)(iii))

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

Yes or no. If yes, the length of the period or the time period covered by the interest only payments.

Y&A Completion Instruction

The AP table includes an interest only disclosure. The processor must answer “Yes” or “No.” If the answer is yes, then the processor must include additional information about the interest only payments, such as the length of the interest only period.

Audit: What You are Looking For

To make this determination, the auditor must first determine whether the answer to this question is appropriate, given the loan terms, using other documents to make that determination. If it is appropriate, the auditor must then determine if the description of the interest only period is accurate.

Regulatory Text § 1026.37(i)(1)

(1) Interest only payments. Whether the transaction is an interest only product pursuant to paragraph (a)(10)(ii)(B) of this section as an affirmative or negative answer to the question “Interest Only Payments?” and, if an affirmative answer is disclosed, the period during which interest only periodic payments are scheduled.

Regulatory Commentary

None.

CFPB Guide

None.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

Yes or no. If yes, the period of time that the consumer will make these payments.

Y&A Completion Instruction

The processor must indicate whether the loan contains any provision for optional payments in the AP table. Optional payments are scheduled payments that are higher than the payment amount shown on the note. The response is either “Yes” or “No.” If the answer is yes, then there must be additional information about the optional payments as appropriate.

Audit: What You are Looking For

To make this determination, the auditor must first determine whether the answer to this question is appropriate, given the loan terms, using other documents to make that determination. If it is appropriate, the auditor must determine that the optional payment description is accurate.

Regulatory Text § 1026.37(i)(2)

(2) **Optional payments.** Whether the terms of the legal obligation expressly provide that the consumer may elect to pay a specified periodic principal and interest payment in an amount other than the scheduled amount of the payment, as an affirmative or negative answer to the question “**Optional Payments?**” and, if an affirmative answer is disclosed, the period during which the consumer may elect to make such payments.

Regulatory Commentary

None.

CFPB Guide

None.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

Yes or no. If yes, the period of time that step payments will be made.

Y&A Completion Instruction

The processor must indicate in the AP table any step payments that occur. Generally step payments occur when the interest rate remains unchanged, but the payment gradually increase over the life of the loan. The initial response is either “Yes” or “No.” If the answer is yes, then there must be additional information about the step payments.

Audit: What You are Looking For

The auditor must first determine whether the answer to this question is appropriate, given the loan terms, using other documents to make that determination. If it is appropriate, the auditor must determine that the step payment description is accurate.

Regulatory Text § 1026.37(i)(3)

- (3) **Step payments.** Whether the transaction is a step payment product pursuant to paragraph (a)(10)(ii)(C) of this section as an affirmative or negative answer to the question “**Step Payments?**” and, if an affirmative answer is disclosed, the period during which the regular periodic payments are scheduled to increase.

Regulatory Commentary

None.

CFPB Guide

None.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

Yes or no. If yes, the period of time that seasonal payments will be made.

Y&A Completion Instruction

The processor must answer whether the loan has seasonal payments within the AP table. The initial response is either “Yes” or “No.” If the answer is yes, then there must be additional information about the seasonal payments. (For instance, payments in March and September).

Audit: What You are Looking For

The auditor must first determine whether the answer to this question is appropriate, given the loan terms, using other documents to make that determination. If it is appropriate, the auditor must determine that the description of seasonal payments is accurate.

Regulatory Text § 1026.37(i)(4)

- (4) **Seasonal payments.** Whether the transaction is a seasonal payment product pursuant to paragraph (a)(10)(ii)(E) of this section as an affirmative or negative answer to the question “**Seasonal Payments?**” and, if an affirmative answer is disclosed, the period during which periodic payments are not scheduled.

Regulatory Commentary

None.

CFPB Guide

None.

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	
LOAN ESTIMATE	

These three amounts must be completed based on the loan terms.

Y&A Completion Instruction

The processor must complete the AP table section indicating what the subsequent principal and interest payments might be for the loan. There are 3 items required – the first change and amount, what can happen in subsequent changes, and what is the maximum payment that can be reached during the life of the loan. This information may be a duplication of information that appears on the front page of the document, and should not require any additional input.

Audit: What You are Looking For

To make this determination, the auditor should review the front page of the Loan Estimate to assure that the amounts match the initial portion of the disclosure.

Regulatory Text § 1026.37(i)(5)

- (5) **Principal and interest payments.** Under the subheading “**Principal and Interest Payments,**” which subheading is immediately preceded by the applicable unit-period, the following information:
- (i) The number of the payment of the first periodic principal and interest payment that may change under the terms of the legal obligation disclosed under this paragraph (i), counting from the first periodic payment due after consummation, and the amount or range of the periodic principal and interest payment for such payment, labeled “**First Change/Amount**”;
 - (ii) The frequency of subsequent changes to the periodic principal and interest payment, labeled “**Subsequent Changes**”; and
 - (iii) The maximum periodic principal and interest payment that may occur during the term of the transaction, and the first periodic principal and interest payment that can reach such maximum, counting from the first periodic payment due after consummation, labeled “**Maximum Payment.**”

Regulatory Commentary

1. **Statement of periodic payment frequency.** *The subheading required by § 1026.37(i)(5) must include the unit-period of the transaction, such as “quarterly,” “bi-weekly,” or “annual.” This unit-period should be the same as disclosed under § 1026.37(b)(3). See § 1026.37(o)(5)(i).*
2. **Initial payment adjustment unknown.** *The disclosure required by § 1026.37(i)(5) must state the number of the first payment for which the regular periodic principal and interest payment may change. This payment is typically set forth in the legal obligation. However, if the exact payment number of the first adjustment is not known at the time the creditor provides the Loan Estimate, the creditor must disclose the earliest possible payment that may change under the terms of the legal obligation, based on the information available to the creditor at the time, as the initial payment number and amount.*

3. **Subsequent changes.** *The disclosure required by § 1026.37(i)(5) must state the frequency of adjustments to the regular periodic principal and interest payment after the initial adjustment, if any, expressed in years, except if adjustments are more frequent than once every year, in which case the disclosure should be expressed as payments. If there is only one adjustment of the periodic payment under the terms of the legal obligation (for example, if the loan has an interest only period for the first 60 payments and there are no adjustments to the payment after the end of the interest only period), the disclosure should state: “No subsequent changes if the loan has graduated increases in the regular periodic payment every 12th payment, the disclosure should state: “Every year.” If the frequency of adjustments to the periodic payment may change under the terms of the legal obligation, the disclosure should state the smallest period of adjustments that may occur. For example, if an increase in the periodic payment is scheduled every sixth payment for 36 payments, and then every 12th payment for the next 24 payments, the disclosure should state: “Every 6th payment.”*
4. **Maximum payment.** *The disclosure required by § 1026.37(i)(5) must state the larger of the maximum scheduled or maximum potential amount of a regular periodic principal and interest payment under the terms of the legal obligation, as well as the payment number of the first periodic principal and interest payment that can reach such amount. If the disclosed payment is scheduled, § 1026.37(i)(5) requires that the disclosure state the payment number when such payment is reached with the preceding text, “starting at.” If the disclosed payment is only potential, as may be the case for a loan that permits optional payments, the disclosure states the earliest payment number when such payment can be reached with the preceding text, “as early as.” Section 1026.37(i)(5) requires that the first possible periodic principal and interest payment that can reach the maximum be disclosed. For example, for a fixed interest rate optional-payment loan with scheduled payments that result in negative amortization under the terms of the legal obligation, the maximum periodic payment disclosed should be based on the consumer having elected to make the periodic payments that would increase the principal balance to the maximum amount at the latest time possible before the loan begins to fully amortize, which would cause the periodic principal and interest payment to be the maximum possible. For example, if the earliest payment that could reach the maximum principal balance was the 41st payment at which time the loan would begin to amortize and the periodic principal and interest payment would be recalculated, but the last payment that permitted the principal balance to increase was the 60th payment, the disclosure required by § 1026.37(i)(5) must assume the consumer only reaches the maximum principal balance at the 60th payment because this would result in the maximum possible principal and interest payment under the terms of the legal obligation. The disclosure must state the maximum periodic principal and interest payment based on this assumption and state “as early as the 61st payment.”*
5. **Payments that do not pay principal.** *Although the label of the disclosure required by § 1026.37(i)(5) is “Principal and Interest Payments,” and the section refers to periodic principal and interest payments, it includes a scheduled periodic payment that only covers some or all of the interest that is due and not any principal (i.e., an interest only or negatively amortizing payment).*

The AP table may only be disclosed if the periodic principal and interest payment may change after consummation based on an adjustment that is not an adjustment to the interest rate, or if the transaction is a seasonal payment product. The creditor would not be permitted to disclose the table if the loan terms do not meet these requirements, even if the table were left blank.

CFPB Guide

If the exact payment number of the first payment adjustment is not known at the time of the Loan Estimate, the earliest possible payment that may change must be disclosed. (Comment 37(i)(5)-2)

The label “Monthly Principal and Interest Payments” can be changed to reflect a payment schedule that is not monthly, such as Biweekly or Annual. (Comment 37(i)(5)-1)

Disclose any scheduled periodic payment that only covers some or all of the interest that is due and not any principal as Monthly Principal and Interest Payments, even though the AP Table refers to Monthly Principal and Interest Payments. (Comment 37(i)(5)-5)

Section 11: Adjustable Interest Rate Table

12 CFR § 1026.37(j)

[46] Adjustable Interest Rate Table - Moderate

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

This table is only displayed if the interest rate may change during the term of the loan.

Y&A Completion Instruction

The AIR table is required to appear when the interest rate may change during the life of the loan. If a change in the interest rate is not anticipated (fixed rate) then the table cannot appear. The processor completes this section based on what is “normal” for the loan type for which the applicant is applying.

Audit: What You are Looking For

The auditor should determine that the interest rate will contractually change during the life of the loan. If it will not, this table should not appear.

Regulatory Text § 1026.37(j)

- (j) **Adjustable interest rate table.** If the interest rate may increase after consummation, a separate table under the master heading “**Closing Cost Details**” required by paragraph (f) of this section, and under the heading “**Adjustable Interest Rate (AIR) Table**” that contains the following information and satisfies the following requirements:

Regulatory Commentary

37(j) Adjustable interest rate table.

- 1. When table is not permitted to be disclosed. The disclosure described in § 1026.37(j) is required only if the interest rate may increase after consummation, either based on changes to an index*

or scheduled changes to the interest rate. If the legal obligation does not permit the interest rate to adjust after consummation, such as for a “Fixed Rate” product under § 1026.37(a)(10), this table is not permitted to appear on the Loan Estimate. The creditor may not disclose a blank table or a table with “N/A” inserted within each row.

CFPB Guide

The Adjustable Interest Rate (AIR) Table is disclosed when the loan’s interest rate may increase after consummation. (§ 1026.37(j)) If the loan’s interest rate will not increase after consummation, the AIR Table is not disclosed. (Comment 37(j)-1) Because the interest rate for a Fixed Rate loan cannot change according to the definition in the TILA-RESPA rule, the AIR Table should never be disclosed with a Fixed Rate loan.

The AIR Table includes the following information (§ 1026.37(j)):

- As Index + Margin, the index upon which adjustments to the interest rate will be based and the margin that is added to the index to determine the interest rate (§ 1026.37(j)(1));
- For Step Rate products, the maximum amount of any adjustments to the interest rate that are scheduled and pre-determined (§ 1026.37(j)(2));
- The Initial Interest Rate at consummation (§ 1026.37(j)(3));
- The Minimum/Maximum Interest Rate for the loan, after any introductory period expires (§ 1026.37(j)(4));
- As Change Frequency (§ 1026.37(j)(5)):
 - For First Change, list the month when the first interest rate change may occur after consummation (§ 1026.37(j)(5)(i)); and
 - As Subsequent Changes, the frequency of interest rate adjustments after the initial adjustment (§ 1026.37(j)(5)(ii)); and
- As Limits on Interest Rate Changes (§ 1026.37(j)(6)):
 - As First Change, the maximum possible change for the first adjustment of the interest rate after consummation (§ 1026.37(j)(6)(i)); and
 - As Subsequent Changes, the maximum possible change for subsequent adjustments of the interest rate. (§ 1026.37(j)(6)(ii))

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Insert anticipated index and margin here.

Y&A Completion Instruction

The processor must indicate the index and margin anticipated to be used in the note. This is generally set by the loan product type standards.

The second section discusses a very rare situation, and is likely to never impact your institution. The first line of this table (see instruction changes to indicate the fact that this is a step rate loan, in which all increases in the interest rate are predetermined, not based on an index and margin. Should this occur, this information must be included.

Audit: What You are Looking For

The auditor should determine that the margin and index is correct, based on the loan product type standards set by the institution.

If it is a step rate loan not based on an index, the auditor should determine that this is a step rate product, and the amounts quoted are correct, based on the loan product type standards set by the institution.

Regulatory Text § 1026.37(j)(1)

- (1) **Index and margin.** If the interest rate may adjust and the product type is not a “**Step Rate**” under paragraph (a)(10)(i)(B) of this section, the index upon which the adjustments to the interest rate are based and the margin that is added to the index to determine the interest rate, if any, labeled “**Index + Margin.**”

Regulatory Text § 1026.37(j)(2)

- (2) **Increases in interest rate.** If the product type is a “**Step Rate**” and not also an “**Adjustable Rate**” under paragraph (a)(10)(i)(A) of this section, the maximum amount of any adjustments to the interest rate that are scheduled and pre-determined, labeled “**Interest Rate Adjustments.**”

Regulatory Commentary § 1026.37(j)(1)

1. **Index and margin.** *The index disclosed pursuant to § 1026.37(j)(1) must be stated such that a consumer reasonably can identify it. A common abbreviation or acronym of the name of the index may be disclosed in place of the proper name of the index, if it is a commonly used public method of identifying the index. For example, “LIBOR” may be disclosed instead of London Interbank Offered Rate. The margin should be disclosed as a percentage. For example, if the contract determines the interest rate by adding 4.25 percentage points to the index, the margin should be disclosed as “4.25%.”*

Regulatory Commentary § 1026.37(j)(2)

1. **Adjustments not based on an index.** *If the legal obligation includes both adjustments to the interest rate based on an external index and scheduled and pre-determined adjustments to the interest rate, such as for a “Step Rate” product under § 1026.37(a)(10), the disclosure required by § 1026.37(j)(1), and not § 1026.37(j)(2), must be provided pursuant to § 1026.37(j)(2). The disclosure described in § 1026.37(j)(2) is stated only if the product type does not permit the interest rate to adjust based on an external index.*

CFPB Guide

The index must be described such that a consumer can reasonably identify it. For example, LIBOR may be used instead of the London Interbank Offered Rate. The margin should be disclosed as a percentage. For example, if the interest rate is calculated by adding 4.25 to LIBOR, the margin should be disclosed as 4.25%. (Comment 37(j)(1)-1)

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Insert initial anticipated interest rate here.

Y&A Completion Instruction

The processor must insert the initial anticipated interest rate for the loan.

Audit: What You are Looking For

The auditor should determine that the appropriate initial interest rate was inserted. This field should match the initial interest rate quoted on the first page of the Loan Estimate.

Regulatory Text § 1026.37(j)(3)

(3) **Initial interest rate.** The interest rate at consummation of the loan transaction, labeled “**Initial Interest Rate.**”

Regulatory Commentary

1. **Interest rate at consummation.** *In all cases, the interest rate in effect at consummation must be disclosed as the initial interest rate, even if it will apply only for a short period, such as one month.*

CFPB Guide

None.

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Insert minimum and maximum interest rates here.

Y&A Completion Instruction

The processor must insert the minimum and maximum interest rates here. These rates are generally called the floor rate and the ceiling rate. The regulation requires a ceiling rate. The floor rate is at the institution's option. Often the floor rate will equal the margin, but it is not required to do so.

Audit: What You are Looking For

The auditor should determine that the appropriate floor and ceiling rates were inserted. This information is likely based on the terms set forth for this loan product by the institution.

Regulatory Text § 1026.37(j)(4)

- (4) **Minimum and maximum interest rate.** The minimum and maximum interest rates for the loan, after any introductory period expires, labeled “**Minimum/Maximum Interest Rate.**”

Regulatory Commentary

1. **Minimum interest rate.** *The minimum interest rate required to be disclosed by § 1026.37(j)(4) is the minimum interest rate that may occur at any time during the term of the transaction, after any introductory or “teaser” interest rate expires, under the terms of the legal obligation, such as an interest rate “floor.” If the terms of the legal obligation do not state a minimum interest rate, the minimum interest rate that applies to the transaction under applicable law must be disclosed. If the terms of the legal obligation do not state a minimum interest rate, and no other minimum interest rate applies to the transaction under applicable law, the amount of the margin is disclosed.*
2. **Maximum interest rate.** *The maximum interest rate required to be disclosed pursuant to § 1026.37(j)(4) is the maximum interest rate permitted under the terms of the legal obligation, such as an interest rate “cap.” If the terms of the legal obligation do not specify a maximum interest rate, the maximum interest rate permitted by applicable law, such as State usury law, must be disclosed.*

CFPB Guide

The maximum interest rate that applies to the loan under applicable law, such as State usury law, must be disclosed if the loan does not provide for a maximum interest rate. (Comment 37(j)(4)-2)

The minimum interest rate that applies to the loan under applicable law must be disclosed if the loan does not provide for a minimum interest rate. However, if applicable law does not set a minimum interest rate, disclose the amount of the margin as the minimum interest rate. (Comment 37(j)(4)-1)

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Insert the time period to the first rate change, based on the first payment date.

Insert the frequency of the subsequent rate changes here.

Y&A Completion Instruction

The processor should insert the time period to the first interest rate change and the time period between subsequent interest rate changes here. These rate change time periods are usually driven by the adjustable rate product being offered for this loan.

Audit: What You are Looking For

The auditor should determine that the appropriate time periods for the first and subsequent rate changes are inserted, most likely on the basis of the loan product for which the applicant has applied.

Regulatory Text § 1026.37(j)(5)

(5) **Frequency of adjustments.** The following information, under the subheading “**Change Frequency**”:

- (i) The month when the interest rate after consummation may first change, calculated from the date interest for the first scheduled periodic payment begins to accrue, labeled “**First Change**”; and
- (ii) The frequency of interest rate adjustments after the initial adjustment to the interest rate, labeled, “**Subsequent Changes.**”

Regulatory Commentary

1. **Exact month unknown.** *The disclosure required by § 1026.37(j)(5) must state the first month for which the interest rate may change. This month is typically scheduled in the terms of the legal obligation. However, if the exact month is not known at the time the creditor provides the Loan Estimate, the creditor must disclose the earliest possible month under the terms of the legal obligation, based on the best information available to the creditor at the time.*

CFPB Guide

Typically, the first change month for the interest rate is scheduled in the terms of the loan, but if the exact month is not known at the time creditor provides the Loan Estimate, the earliest possible month for the first change to the interest rate of the loan must be disclosed based on the best information available to the creditor at the time the Loan Estimate is disclosed. (Comment 37(j)(5)-1)

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Insert the limit for changes on the first interest rate change here.

Insert the limit for subsequent interest rate changes here.

Y&A Completion Instruction

The processor should insert the maximum amount that the interest rate may increase for both the first rate change and any subsequent rate changes. These maximum rate changes are usually driven by the adjustable rate product being offered for this loan.

Audit: What You are Looking For

The auditor should determine that the appropriate rate change maximums are inserted for the first and subsequent rate changes. These limits will most likely be entered on the basis of the loan product for which the applicant has applied.

Regulatory Text § 1026.37(j)(6)

(6) **Limits on interest rate changes.** The following information, under the subheading “**Limits on Interest Rate Changes**”:

- (i) The maximum possible change for the first adjustment of the interest rate after consummation, labeled “**First Change**”; and
- (ii) The maximum possible change for subsequent adjustments of the interest rate after consummation, labeled “**Subsequent Changes.**”

Regulatory Commentary

*1. **Different limits on subsequent interest rate adjustments.** If more than one limit applies to the amount of adjustments to the interest rate after the initial adjustment, the greatest limit on subsequent adjustments must be disclosed. For example, if the initial interest rate adjustment is capped at two percent, the second adjustment is capped at two and a half percent, and all subsequent adjustments are capped at three percent, the disclosure required by § 1026.37(j)(6)(ii) states “3%.”*

CFPB Guide

The greatest limit on changes in the interest rate must be disclosed when more than one limit applies to changes in the interest rate. For example, if the initial interest rate adjustment is capped at 2%, the second adjustment is capped at 2.5%, and all subsequent adjustments are capped at 3%, 3% is disclosed as Subsequent Changes. (Comment 37(j)(6)-1)

Section 12: Contact Information

12 CFR § 1026.37(k)

[47] Contact Information - Low

Additional Information About This Loan	
LENDER	MORTGAGE BROKER
NMLS/___ LICENSE ID	NMLS/___ LICENSE ID
LOAN OFFICER	LOAN OFFICER
NMLS/___ LICENSE ID	NMLS/___ LICENSE ID
EMAIL	EMAIL
PHONE	PHONE

Y&A Commentary

This section of the third page informs the applicant of the players on the creditor side. This presentation will focus on the lender portion of the document, although if there is a broker, additional information should appear for the broker as well. We have elected not to include the broker information portion, as it will impact few Loan Estimates.

Regulatory Text § 1026.37(k)

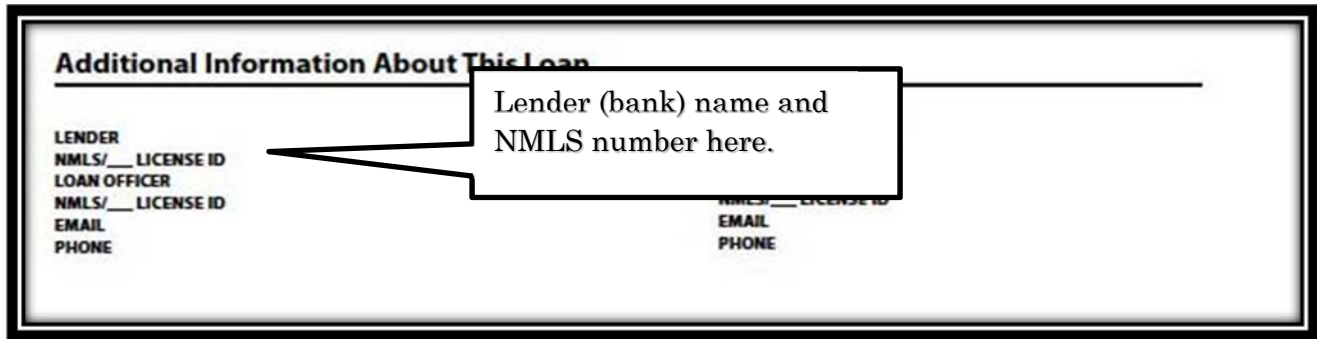
(k) **Contact information.** Under the master heading, “**Additional Information About This Loan,**” the following information:

Regulatory Commentary

None.

CFPB Guide

Disclose the Name and NMLS/___License ID number for the creditor and mortgage broker, if any, and the individual loan officer of both. The NMLS/___License ID number should be the same as that identified on the note and other documents. (§ 1026.36(g)) Also, disclose the Email and/or Phone number of the individual loan officer. The person identified as the individual loan officer must be the primary contact for the consumer. (§ 1026.37(k))



Additional Information About This Loan

LENDER	NMLS/___ LICENSE ID
LOAN OFFICER	NMLS/___ LICENSE ID
EMAIL	EMAIL
PHONE	PHONE

Lender (bank) name and NMLS number here.

Y&A Completion Instruction

The processor should enter the first two fields: the creditor's name and NMLS number. This should not vary from loan to loan, so this is close to "boilerplate."

Audit: What You are Looking For

The auditor should determine that the appropriate creditor name and NMLS number for the creditor appear in this disclosure as indicated.

Regulatory Text § 1026.37(k)(1)

- (1) The name and Nationwide Mortgage Licensing System and Registry identification number (NMLSR ID) (labeled "NMLS ID/License ID ") for the creditor (labeled **"Lender"**) and the mortgage broker (labeled **"Mortgage Broker"**), if any. In the event the creditor or the mortgage broker has not been assigned an NMLSR ID, the license number or other unique identifier issued by the applicable jurisdiction or regulating body with which the creditor or mortgage broker is licensed and/or registered shall be disclosed, with the abbreviation for the State of the applicable jurisdiction or regulatory body stated before the word **"License"** in the label, if any;

Regulatory Commentary

1. **NMLSR ID.** Section 1026.37(k) requires the disclosure of an Nationwide Mortgage Licensing System and Registry (NMLSR ID) number for each creditor, mortgage broker, and loan officer identified on the Loan Estimate. The NMLSR ID is a unique number or other identifier generally assigned to individuals registered or licensed through NMLSR to provide loan originating services. For more information, see the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) sections 1503(3) and (12) and 1504 (12 U.S.C. 5102(3) and (12) and 5103), and its implementing regulations (i.e., 12 CFR 1007.103(a) and 1008.103(a)(2)). An entity may also have an NMLSR ID. Thus, if the creditor, mortgage broker, or loan officer has obtained an NMLSR ID, the NMLSR IDs must be provided in the disclosures required by § 1026.37(k)(1) and (2).

CFPB Guide

None.

Additional Information About This Loan

LENDER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

MORTGAGE BROKER

Loan Officer's name and NMLS number here.

Y&A Completion Instruction

The processor should enter the third the fourth fields with the loan officer's name and NMLS number (assuming the loan officer has a number).

Audit: What You are Looking For

The auditor should determine that the appropriate lender name and NMLS number for the lender (loan officer) appear in this disclosure as indicated.

Regulatory Text § 1026.37(k)(2)

- (2) The name and NMLSR ID of the individual loan officer (labeled **“Loan Officer”** and **“NMLS ID/License ID,”** respectively) of the creditor and the mortgage broker, if any, who is the primary contact for the consumer. In the event the individual loan officer has not been assigned an NMLSR ID, the license number or other unique identifier issued by the applicable jurisdiction or regulating body with which the loan officer is licensed and/or registered shall be disclosed with the abbreviation for the State of the applicable jurisdiction or regulatory body stated before the word **“License”** in the label, if any; and

Regulatory Commentary

2. **License number or unique identifier.** Section 1026.37(k)(1) and (2) requires the disclosure of a license number or unique identifier for the creditor, mortgage broker, and loan officer if such entity or individual has not obtained an NMLSR ID. In such event, if the applicable State, locality, or other regulatory body with responsibility for licensing and/or registering such entity's or individual's business activities has issued a license number or other unique identifier to such entity or individual, that number is disclosed. In addition, § 1026.37(k)(1) and (2)

require the abbreviation of the State of the jurisdiction or regulatory body that issued such license or registration is required to be included before the word **“License”** in the label required by § 1026.37(k)(1) and (2). If no such license or registration is required to be disclosed, such as if an NMLSR number is disclosed, the space provided for such an abbreviation in form H-24 of appendix H to this part may be left blank. A U.S. Postal Service State abbreviation complies with § 1026.37(k)(1) and (2), if applicable.

3. **Contact.** Section 1026.37(k)(2) requires the disclosure of the name and NMLSR ID of the person who is the primary contact for the consumer, labeled **“Loan Officer.”** The loan officer is generally the natural person employed by the creditor or mortgage broker disclosed under § 1026.37(k)(1) who interacts most frequently with the consumer and who has an NMLSR ID or, if none, a license number or other unique identifier to be disclosed under § 1026.38(k)(2), as applicable.

CFPB Guide

None.

The diagram illustrates the layout of the CFPB Guide form for contact information. It is divided into two main sections: **LENDER** and **MORTGAGE BROKER**. Each section contains the following fields: **NMLS/___ LICENSE ID**, **LOAN OFFICER**, **NMLS/___ LICENSE ID**, **EMAIL**, and **PHONE**. A callout box points to the **EMAIL** field in the Lender section, stating: "Email (either general or direct) is placed here". Another callout box points to the **PHONE** field in the Lender section, stating: "Telephone number (either general or direct) is placed here".

Y&A Completion Instruction

The processor should enter the appropriate contact information in the last two fields. These include an email address and a telephone number. Both the email address and telephone number can be general contact information or specific contact information, as long as the information provided allows the applicant to contact the loan officer. Specific information is preferred.

Audit: What You are Looking For

The auditor should determine that the appropriate contact information for the lender (loan officer) appears in this disclosure as indicated.

Regulatory Text § 1026.37(k)(3)

- (3) The email address and telephone number of the loan officer (labeled “**Email**” and “**Phone**,” respectively).

Regulatory Commentary

- 3. Contact. Section 1026.37(k)(2) requires the disclosure of the name and NMLSR ID of the person who is the primary contact for the consumer, labeled “Loan Officer.” The loan officer is generally the natural person employed by the creditor or mortgage broker disclosed under § 1026.37(k)(1) who interacts most frequently with the consumer and who has an NMLSR ID or, if none, a license number or other unique identifier to be disclosed under § 1026.37(k)(2), as applicable..*

CFPB Guide

None.

Section 13: Comparisons

12 CFR § 1026.37(1)

[48] Comparisons

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Y&A Commentary:

There are four comparison numbers to assist the applicant in evaluating the loan. The first two numbers focus on what the applicant is anticipated to pay the lender in the first five years. The third number is the traditional APR. The final number is the TIP, which explains the amount of interest that is anticipated to be paid as a percentage of the principal loan amount.

Regulatory Text Text § 1026.37(1)

- (l) **Comparisons.** Under the master heading, “**Additional Information About This Loan**” required by paragraph (k) of this section, in a separate table under the heading “**Comparisons**” along with the statement “**Use these measures to compare this loan with other loans**”:

Regulatory Commentary

None.

CFPB Guide

The Comparisons table discloses information related to the costs of the loan In Five Years, the Annual Percentage Rate (APR), and the Total Interest Percentage (TIP).

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your rate
Total Interest Percentage (TIP)	The total annual percentage

Insert two amounts – what the applicant will pay in the first five years, and the portion of that total that will be principal reduction.

Y&A Completion Instruction

The processor should assure that the software inserts the appropriate information in this table. All amounts here should be calculated without intervention of the processor. The first two numbers are related to the first five years of payments, counting from the date of first payment. Closing costs are part of the total amount paid calculation, making the total amount disclosed as paid in the first five years higher than simply the payment amount times 60. The second amount shown is the anticipated principal reduction that should occur during that same time period. All dollar amounts are rounded to the nearest dollar.

Audit: What You are Looking For

The auditor should determine that the amounts listed are accurate. The auditor must determine whether a recalculation of these amounts are required or necessary. Remember that the first number includes loan costs.

Regulatory Text § 1026.37(l)(1)

(1) **In five years.** Using the label “**In 5 Years**”:

- (i) The total principal, interest, mortgage insurance, and loan costs scheduled to be paid through the end of the 60th month after the due date of the first periodic payment, expressed as a dollar amount, along with the statement “**Total you will have paid in principal, interest, mortgage insurance, and loan costs**”; and
- (ii) The principal scheduled to be paid through the end of the 60th month after the due date of the first periodic payment, expressed as a dollar amount, along with the statement “**Principal you will have paid off.**”

Regulatory Commentary

37(l)(1) In five years.

1. Loans with terms of less than five years. In transactions with a scheduled loan term of less than

60 months, to comply with § 1026.37(l)(1), the creditor discloses the amounts paid through the end of the loan term.

Paragraph 37(l)(1)(i).

1. **Calculation of total payments in five years.** The amount disclosed under § 1026.37(l)(1)(i) is the sum of principal, interest, mortgage insurance, and loan costs scheduled to be paid through the end of the 60th month after the due date of the first periodic payment. For guidance on how to calculate interest for mortgage loans that are Adjustable Rate products under § 1026.37(a)(10)(i)(A) for purposes of § 1026.37(l)(1)(i), see comment 17(c)(1)-10. In addition, for purposes of § 1026.37(l)(1)(i), the creditor should assume that the consumer makes payments as scheduled and on time. For purposes of § 1026.37(l)(1)(i), mortgage insurance means “mortgage insurance or any functional equivalent” as defined under comment 37(c)(1)(i)(C)-1 and includes prepaid or escrowed mortgage insurance. Loan costs are those costs disclosed under § 1026.37(f).
2. **Negative amortization loans.** For loans that have a negative amortization feature under § 1026.37(a)(10)(ii)(A), the creditor calculates the total payments in five years using the scheduled payments, even if it is a negatively amortizing payment amount, until the consumer must begin making fully amortizing payments under the terms of the legal obligation.

Paragraph 37(l)(1)(ii).

1. **Calculation of principal paid in five years.** The disclosure required by § 1026.37(l)(1)(ii) is calculated in the same manner as the disclosure required by § 1026.37(l)(1)(i), except that the disclosed amount reflects only the total payments to principal through the end of the 60th month after the due date of the first periodic payment.

CFPB Guide

In 5 Years includes the following information:

- The total amount the consumer will have paid in principal, interest, mortgage insurance, and loan costs paid through the end of the 60th month after the due date of the first periodic payment; and
- The amount of principal paid through the end of the 60th month after the due date of the first periodic payment. (§ 1026.37(l)(1))

Comparisons	Use these measures to compare this
In 5 Years	Total you will have paid in interest and costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Insert the APR here.

Y&A Completion Instruction

The third number in this table is the traditional APR. No direct processor action is required.

Audit: What You are Looking For

The auditor should determine that the APR is accurate. The auditor must determine whether a recalculation of the APR using APRWin is required or necessary.

Regulatory Text § 1026.37(l)(2)

(2) **Annual percentage rate.** The “Annual Percentage Rate,” using that term and the abbreviation “APR” and expressed as a percentage, and the following statement: **“Your costs over the loan term expressed as a rate. This is not your interest rate.”**

Regulatory Commentary

None.

CFPB Guide

Disclose the APR, together with a brief descriptive statement, in the Comparisons table on page 3. For information on how to calculate the APR, see § 1026.22 and appendix J to Regulation Z. (§ 1026.37(l)(2))

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	Total you will have paid in principal Principal you will have received
Annual Percentage Rate (APR)	Your cost over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Insert the TIP here.

Y&A Completion Instruction

The TIP is a percentage that indicates what portion of the principal the applicant is anticipated to pay back in interest over the life of the loan. For instance, a loan with a \$100,000 principal balance and a total of payments of \$160,000 would have a TIP of 60%. This should not involve any direct action by the processor.

Audit: What You are Looking For

The auditor should determine that the TIP is accurate. As the total of payments is not included in this disclosure, a recalculation of the TIP may be difficult or impossible. The auditor must determine whether a recalculation of the TIP is required or necessary.

Regulatory Text § 1026.37(l)(3)

- (3) **Total interest percentage.** The total amount of interest that the consumer will pay over the life of the loan, expressed as a percentage of the amount of credit extended, using the term “**Total Interest Percentage,**” the abbreviation “**TIP,**” and the statement “**The total amount of interest that you will pay over the loan term as a percentage of your loan amount.**”

Regulatory Commentary

37(l)(3) Total interest percentage.

- 1. General. When calculating the total interest percentage, the creditor assumes that the consumer will make each payment in full and on time and will not make any additional payments. The creditor includes prepaid interest that the consumer will pay when calculating the total interest percentage. Prepaid interest that is disclosed as a negative number under §§ 1026.37(g)(2) or 1026.38(g)(2) is included as a negative value when calculating the total interest percentage.*
- 2. Adjustable rate and step rate mortgages. For Adjustable Rate products under § 1026.37(a)(10)(i)(A), § 1026.37(l)(3) requires that the creditor compute the total interest*

percentage in accordance with comment 17(c)(1)-10. For Step Rate products under § 1026.37(a)(10)(i)(B), § 1026.37(l)(3) requires that the creditor compute the total interest percentage in accordance with § 1026.17(c)(1) and its associated commentary.

- 3. **Negative amortization loans.** For loans that have a negative amortization feature under § 1026.37(a)(10)(ii)(A), § 1026.37(l)(3) requires that the creditor compute the total interest percentage using the scheduled payment, even if it is a negatively amortizing payment amount, until the consumer must begin making fully amortizing payments under the terms of the legal obligation.*

CFPB Guide

The TIP is the total amount of interest that the consumer will pay over the loan term, expressed as a percentage of the Loan Amount. (§ 1026.37(l)(3)) The TIP includes prepaid interest that the consumer will pay, but does not include prepaid interest that someone other than the consumer will pay. If prepaid interest is disclosed as a negative number, the negative value of the prepaid interest must be included in the calculation of the TIP. (Comment 37(l)(3)-1).

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%.

Section 14: Other Considerations

12 CFR § 1026.37(m)

General Language

Y&A Commentary

This section offers general information regarding the loan. It also includes the Regulation B appraisal notice and the Servicing Disclosure. In this section, some of the items appear or do not appear, based on the loan requirements.

Regulatory Text § 1026.37(m)

(m) **Other considerations.** Under the master heading “**Additional Information About This Loan**” required by paragraph (k) of this section and under the heading “**Other Considerations**”:

Regulatory Commentary

None.

CFPB Guide

Other Considerations includes the following information:

- Appraisal;
- As to Assumption, whether the subsequent purchaser of the property can assume the loan on its original terms;
- At the option of the creditor, a statement that Homeowner’s Insurance is required and that the consumer may choose the provider;
- A statement detailing any amount that may be imposed for a Late Payment;
- A statement about the nature of a Refinance of the loan in the future;
- A statement whether the creditor intends to service the loan or transfer it to another servicer; and
- For Refinance transactions, a statement relating to State law protections against Liability After Foreclosure; and
- At the option of the creditor, for transactions involving new construction, where the creditor reasonably expects that settlement will occur 60 days or more after the provision of the loan estimate, a clear and conspicuous statement that the creditor may issue a revised disclosure any time prior to 60 days before consummation. (§ 1026.37(m))

[49] Appraisal (page 3, Other Considerations) - Moderate**Y&A Completion Instruction**

This is the Regulation B appraisal notice. It has been incorporated into this form, and does not need to be given separately when using the Loan Estimate. It is omitted when the loan does not require its presence (for instance, a second mortgage).

Audit: What You are Looking For

The auditor should determine that the disclosure is required, based on the collateral and lien position. See Regulation B for further details.

Regulatory Text § 1026.37(m)(1)

- (1) **Appraisal.** For transactions subject to 15 U.S.C. 1639h or 1691(e), as implemented in this part or Regulation B, 12 CFR part 1002, respectively, a statement, labeled “**Appraisal**,” that:
- (i) The creditor may order an appraisal to determine the value of the property identified in paragraph (a)(6) of this section and may charge the consumer for that appraisal;
 - (ii) The creditor will promptly provide the consumer a copy of any appraisal, even if the transaction is not consummated; and
 - (iii) The consumer may choose to pay for an additional appraisal of the property for the consumer’s use.

Regulatory Commentary

1. **Applicability.** *The disclosure required by § 1026.37(m)(1) is only applicable to transactions subject to § 1026.19(e) that are also subject either to 15 U.S.C. 1639h or 1691(e) or both, as implemented by this part or Regulation B, 12 CFR part 1002, respectively. Accordingly, if a transaction is not also subject to either or both of these provisions, as implemented by this part or Regulation B, respectively, the disclosure required by § 1026.37(m)(1) may be omitted from the Loan Estimate as described by comment 37-1 as illustrated by form H-24 of appendix H to this part. For transactions subject to section 1639h but not section 1691(e), the creditor may delete the word “**promptly**” from the disclosure required by § 1026.37(m)(1)(ii).*

2. **Consummation.** *Section 1026.37(m)(1) requires the creditor to disclose that it will provide a copy of any appraisal, even if the transaction is not consummated. On form H-24, the disclosure required by § 1026.37(m)(1) states that the creditor will provide an appraisal, even if the “**loan does not close**.” Pursuant to § 1026.37(o)(3), the disclosure required by § 1026.37(m)(1) is that illustrated by form H-24.*

CFPB Guide

A statement concerning the Appraisal must be provided for:

- Higher-priced Mortgage Loans, and
- Loans covered by the Equal Credit Opportunity Act. (§ 1026.37(m)(1))

If the loan is a Higher-priced Mortgage Loan, but is not covered by the Equal Credit Opportunity Act, the word “promptly” may be removed from the language provided on the model form. (Comment 37(m)(1)-1)

[50] Assumption (page 3, Other Considerations) - Moderate

Assumption	if you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input type="checkbox"/> will not allow assumption of this loan on the original terms.
-------------------	--

Creditor must mark one of the boxes.

Y&A Completion Instruction

The processor should answer this question based on the rules set forth by management.

Audit: What are You Looking For

The auditor should determine the institution's stance on the issue of assumption.

Regulatory Text § 1026.37(m)(2)

- (2) **Assumption.** A statement of whether a subsequent purchaser of the property may be permitted to assume the remaining loan obligation on its original terms, labeled “**Assumption.**”

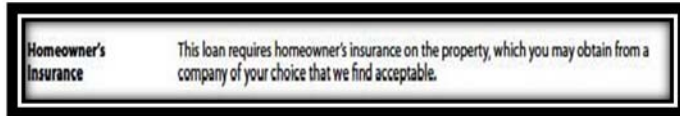
Regulatory Commentary

1. **Disclosure.** Section 1026.37(m)(2) requires the creditor to disclose whether or not a third party may be allowed to assume the loan on its original terms if the property is sold or transferred by the consumer. In many cases, the creditor cannot determine, at the time the disclosure is made, whether a loan may be assumable at a future date on its original terms. For example, the assumption clause commonly used in mortgages sold to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation conditions an assumption on a variety of factors, such as the creditworthiness of the subsequent borrower, the potential for impairment of the creditor's security, and the execution of an assumption agreement by the subsequent borrower. If the creditor can determine that such assumption is not permitted, the creditor complies with § 1026.37(m)(2) by disclosing that the loan is not assumable. In all other situations, including where assumption of a loan is permitted or is dependent on certain conditions or factors, or uncertainty exists as to the future assumability of a mortgage loan, the creditor complies with § 1026.37(m)(2) by disclosing that, under certain conditions, the creditor may allow a third party to assume the loan on its original terms.
2. **Original terms.** For purposes of § 1026.37(m)(2), the imposition of an assumption fee is not a departure from the original terms of the obligation but a modification of the legal obligation, such as a change in the contract interest rate, represents a departure from the original terms.

CFPB Guide

None.

[51] Homeowners Insurance (page 3, Other Considerations) - Moderate



Y&A Completion Instruction

This is an optional disclosure. When used, it is boilerplate. While we believe that this disclosure should always be present, loan processors should follow the direction of management.

Audit: What You are Looking For

The auditor should determine the institution's stance on the inclusion of this disclosure, and audit accordingly.

Regulatory Text § 1026.37(m)(3)

(3) **Homeowner's insurance.** At the option of the creditor, a statement that homeowner's insurance is required on the property and that the consumer may choose the insurance provider, labeled **"Homeowner's Insurance."**

Regulatory Commentary

1. **Optional disclosure.** Section 1026.37(m)(3) provides that creditors may, but are not required to, disclose a statement of whether homeowner's insurance is required on the property and whether the consumer may choose the insurance provider, labeled **"Homeowner's Insurance."**
2. **Relation to the finance charge.** Section 1026.4(d)(2) describes the conditions under which a creditor may exclude premiums for homeowner's insurance from the finance charge. For transactions subject to § 1026.19(e), a creditor satisfies § 1026.4(d)(2)(i) by disclosing the statement described in § 1026.37(m)(3).

CFPB Guide

None.

[52] Late Payment (page 3, Other Considerations) - Moderate

Late Payment	If your payment is more than ____ days late, we will charge a late fee of _____
---------------------	---

Creditor must complete all fields based on the Anticipated loan terms.

Y&A Completion Instruction

The processor should complete this disclosure based on the anticipated late charge language that will appear in the note.

Audit: What You are Looking For

To make this determination, the auditor should ascertain the institution's normal note late charge language.

Regulatory Text § 1026.37(m)(4)

- (4) **Late payment.** A statement detailing any charge that may be imposed for a late payment, stated as a dollar amount or percentage charge of the late payment amount, and the number of days that a payment must be late to trigger the late payment fee, labeled **“Late Payment.”**

Regulatory Commentary

1. **Definition.** Section 1026.37(m)(4) requires a disclosure if charges are added to an individual delinquent installment by a creditor that otherwise considers the transaction ongoing on its original terms. Late payment charges do not include:

(i) the right of acceleration;

(ii) fees imposed for actual collection costs, such as repossession charges or attorney's fees;

(iii) referral and extension charges; or

(iv) the continued accrual of simple interest at the contract rate after the payment due date.

However, an increase in the interest rate on account of a late payment by the consumer is a late payment charge to the extent of the increase.

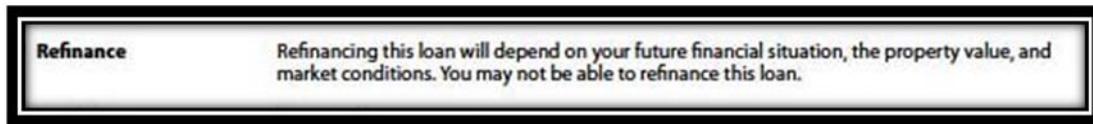
2. **Applicability of State law.** Many State laws authorize the calculation of late charges as either a percentage of the delinquent payment amount or a specified dollar amount, and permit the imposition of the lesser or greater of the two calculations. The language provided in the disclosure may reflect the requirements and alternatives allowed under State law.

CFPB Guide

An increase in the interest rate triggered by a Late Payment is a charge for late payment. The following are not charges for Late Payment:

- The right of acceleration;
- Fees imposed for actual collection costs;
- Referral and extension charges; or
- Interest charged at the contract rate after the payment due date. (Comment 37(m)(4)-1)

[53] Refinance (page 3, Other Considerations) - Moderate



Y&A Completion Instruction

This is a boilerplate disclosure, and requires no processor action.

Audit: What You are Looking For

The auditor should ascertain that the disclosure is present.

Regulatory Text § 1026.37(m)(5)

- (5) **Refinance.** The following statement, labeled “**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.**”

Regulatory Commentary

None.

CFPB Guide

None.

[54] Servicing (page 3, Other Considerations) - Moderate

The image shows a portion of a form titled "Servicing". Inside the form, under the heading "We intend", there are two checkboxes:

☐ to service your loan. If so, you will make your payments to us.

☐ to transfer servicing of your loan.

 A callout box with a pointer to the checkboxes contains the text: "Servicing Disclosures – creditor must mark one of the boxes."

Y&A Completion Instruction

The processor must complete the Servicing Disclosure. The choices have been reduced to two, and should the decision change regarding the sale of the servicing of the loan (generally due to a changed circumstance) during the course of the loan closing process, then this disclosure must change as well.

Audit: What You are Looking For

To make this determination, the auditor should ascertain that the answer to this disclosure is correct, based on the loan product and/or the institution's policies/procedures.

Regulatory Text § 1026.37(m)(6)

(6) **Servicing.** A statement of whether the creditor intends to service the loan or transfer the loan to another servicer, labeled “**Servicing.**”

Regulatory Commentary

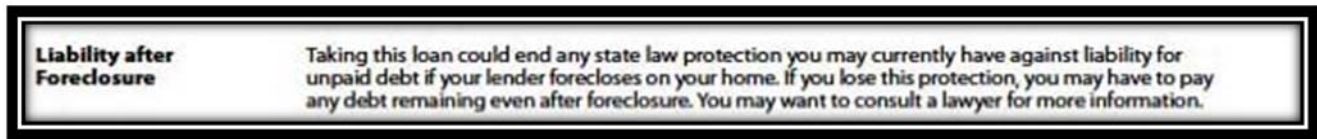
1. **Creditor's intent.** Section 1026.37(m)(6) requires the creditor to disclose whether it intends to service the loan directly or transfer servicing to another servicer after consummation. A creditor complies with § 1026.37(m)(6) if the disclosure reflects the creditor's intent at the time the Loan Estimate is issued.

CFPB Guide

The Servicing disclosure is a statement about the creditor's intentions regarding servicing. (§ 1026.37(m)(6)) The disclosure is based on the intent at the time the Loan Estimate is issued. (Comment 37(m)(6)-1) Intent to transfer servicing of the loan includes:

- The intent to transfer servicing immediately after consummation;
- The intent to transfer servicing anytime throughout the life of the loan; and
- The intent to transfer servicing to a subsidiary or affiliate.

[55] Liability After Foreclosure – Moderate



Y&A Completion Instruction

This is a boilerplate disclosure that will only appear in refinance of purchase money loan. No processor action is required.

Audit: What You are Looking For

To make this determination, the auditor should ascertain that the loan is for a refinance of purchase money purpose.

Regulatory Text § 1026.37(m)(7)

- (7) **Liability after foreclosure.** If the purpose of the credit transaction is to refinance an extension of credit as described in paragraph (a)(9)(ii) of this section, a brief statement that certain State law protections against liability for any deficiency after foreclosure may be lost, the potential consequences of the loss of such protections, and a statement that the consumer should consult an attorney for additional information, labeled “**Liability after Foreclosure.**”
- (8) **Construction loans.** In transactions involving new construction, where the creditor reasonably expects that settlement will occur more than 60 days after the provision of the loan estimate, at the creditor's option, a clear and conspicuous statement that the creditor may issue a revised disclosure any time prior to 60 days before consummation, pursuant to §1026.19(e)(3)(iv)(F).

Regulatory Commentary

1. ***When statement is not permitted to be disclosed.** The disclosure described by § 1026.37(m)(7) is required under the condition specified by § 1026.37(m)(7), specifically, if the purpose of the credit transaction is a refinance under § 1026.37(a)(9)(ii). Under any other conditions, this statement is not permitted to appear in the Loan Estimate.*

CFPB Guide

None.

Section 15: Signature Statement

12 CFR § 1026.37(n)

Signature Statement

Regulatory Text § 1026.37(n)

(n) *Signature statement.*

Regulatory Commentary

None.

CFPB Guide

None.

[56] Confirm Receipt (page 3, Confirm Receipt) - Moderate

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

Y&A Completion Instruction

The Confirm Receipt portion of the Loan Estimate is optional. The processor will include or exclude this section based on management decision.

Audit: What You are Looking For

As this section is optional, answer “correct” if it appears on the Loan Estimate. If it is not present, mark your response not applicable.

Regulatory Text § 1026.37(n)(1)

- (1) At the creditor’s option, under the master heading required by paragraph (k) of this section and under the heading “**Confirm Receipt**,” a line for the signatures of the consumers in the transaction. If the creditor includes a line for the consumer’s signature, the creditor must disclose the following above the signature line: “**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.**”

Regulatory Commentary

1. **Signature line optional.** *Whether a signature line is provided under § 1026.37(n) is determined solely by the creditor. If a signature line is provided, however, the disclosure must include the statement required by § 1026.37(n)(1).*
2. **Multiple consumers.** *If there is more than one consumer who will be obligated in the transaction, the first consumer signs as the applicant and each additional consumer signs as a co-applicant. If there is not enough space under the heading “Confirm Receipt” to provide signature lines for every consumer in the transaction, the creditor may add additional signature pages, as needed, at the end of the form for the remaining consumers’ signatures. However, the creditor is required to disclose the heading and statement required by § 1026.37(m)(7) on such additional pages.*

3. **Consumer's name.** *The creditor may insert the consumer's name under the signature line, rather than using the designation "Applicant" or "Co-Applicant" as illustrated in form H-24 of appendix H to this part, but is not required to do so pursuant to § 1026.37(n)(1).*

CFPB Guide

The consumer is not required to sign the Loan Estimate. The creditor may add a signature statement and have the consumer sign page 3 of the Loan Estimate in order to Confirm Receipt of the Loan Estimate by the consumer. If used by the creditor, the signature statement must contain the exact language from the model form. (§ 1026.37(n)(1))

If the Confirm Receipt table is not used by a creditor, a statement about Loan Acceptance must be included at the end of the Other Consideration table that states, "You do not have to accept this loan because you have received this form or signed a loan application." (§ 1026.37(n)(2))

[57] Loan Acceptance (page 3, Confirm Receipt) - Moderate

Y&A Completion Instruction

If the Confirm Receipt portion of the Loan Estimate has been omitted, this disclosure automatically appears within “Other Considerations.” No processor action should be required regarding this disclosure, as the software should make the change automatically.

Audit: What You are Looking For

This section only appears if the Confirm Receipt language (instruction is omitted. If the Confirm Receipt is omitted, this disclosure must appear in alphabetical order in “Other Considerations.” The auditor should determine that the disclosure appears appropriately and in the correct order (alphabetical).

Regulatory Text § 1026.37(n)(2)

- (2) If the creditor does not include a line for the consumer’s signature, the creditor must disclose the following statement under the heading “**Other Considerations**” required by paragraph (m) of this section, labeled “**Loan Acceptance**”: “**You do not have to accept this loan because you have received this form or signed a loan application.**”

Regulatory Commentary

None.

CFPB Guide

None.

Section 16: Form of Disclosures

12 CFR § 1026.37(o)

General Language

Regulation § 1026.37(o)

(o) **Form of disclosures.**

Regulatory Commentary

None.

CFPB Guide

None.

[58] General Requirements - Low

Y&A Completion Instruction:

There are no completion instructions for this section. This instruction requires that all disclosures be clear and conspicuous.

Audit: What You are Looking For

Unless there have been major omissions or other issues with the information on the Loan Estimate that would lead the auditor to believe that the disclosure does not meet the requirement detailed in the regulatory text and commentary below, the auditor should consider this instruction correct.

Regulatory Text § 1026.37(o)(1)

(1) General requirements.

- (i) The creditor shall make the disclosures required by this section clearly and conspicuously in writing, in a form that the consumer may keep. The disclosures also shall be grouped together and segregated from everything else.
- (ii) Except as provided in paragraph (o)(5) of this section, the disclosures shall contain only the information required by paragraphs (a) through (n) of this section and shall be made in the same order, and positioned relative to the master headings, headings, subheadings, labels, and similar designations in the same manner, as shown in form H-24, set forth in appendix H to this part.

Regulatory Commentary

1. ***Clear and conspicuous; segregation.*** *The clear and conspicuous standard requires that the disclosures required by § 1026.37 be legible and in a readily understandable form. Section 1026.37(o)(1)(i) requires that the disclosures be grouped together and segregated from everything else. For example, creditors may not add additional pages in between the pages of the Loan Estimate, or attach to the Loan Estimate additional pages that are not provided for under § 1026.37 after the last page of the Loan Estimate. As required by § 1026.37(o)(3)(i), the disclosures for any transaction that is a federally related mortgage loan under Regulation X, 12 CFR 1024.2, must be made using the standard form H-24 of appendix H to this part. Accordingly, use of that form constitutes compliance with the clear and conspicuous and segregation requirements of § 1026.37(o). In addition, § 1026.37(o)(1)(ii) requires creditors to disclose on the Loan Estimate only the information required by § 1026.37(a) through (n), except as otherwise provided by § 1026.37(o), and in the same order, and positioned relative to the master headings, headings, subheadings, labels, and similar designations in the same manner, as shown in form H-24, set forth in appendix H to this part. For example, creditors may not use*

form H-24, but include in the Loan Terms table under the subheading “**Can this amount increase after closing?**” information that is not required by § 1026.37(b)(6).

2. **Balloon payment financing with leasing characteristics.** In certain credit sale or loan transactions, a consumer may reduce the dollar amount of the payments to be made during the transaction by agreeing to make, at the end of the loan term, a large final payment based on the expected residual value of the property. The consumer may have a number of options with respect to the final payment, including, among other things, retaining the property and making the final payment, refinancing the final payment, or transferring the property to the creditor in lieu of the final payment. Such transactions may have some of the characteristics of lease transactions subject to Regulation M (12 CFR part 1013), but are considered credit transactions where the consumer assumes the indicia of ownership, including the risks, burdens, and benefits of ownership, upon consummation. These transactions are governed by the disclosure requirements of this part instead of Regulation M. Under § 1026.37(o)(1)(ii), creditors may not include any additional information with the disclosures required by § 1026.37, except as provided in § 1026.37(o)(5). Thus, the disclosures must show the large final payment as a balloon payment in the projected payments table required by § 1026.37(c) and should not, for example, reflect the other options available to the consumer at maturity.

CFPB Guide

None.

[59] Headings and Labels - Low

Y&A Completion Instruction:

There are no completion instructions for this section. This instruction requires that all requirements for bold print and capitalization be followed.

Audit: What You are Looking For

It would be very unusual to have an exception if the institution using the standard Loan Estimate form (H-24). The auditor must decide if there's any reason to pursue this matter.

Regulatory Text § 1026.37(o)(2)

- (2) **Headings and labels.** If a master heading, heading, subheading, label, or similar designation contains the word **“estimated”** or a capital letter designation in form H-24, set forth in appendix H to this part, that heading, label, or similar designation shall contain the word **“estimated”** and the applicable capital letter designation.

Regulatory Commentary

1. **Estimated amounts.** Section 1026.37(o)(2) incorporates the **“estimated”** designations reflected on form H-24 of appendix H to this part into the disclosure requirements of § 1026.37, even if the relevant provision of § 1026.37 does not expressly require or permit disclosure of the word **“estimate.”** Where form H-24 uses the abbreviation **“est.”** in place of the word **“estimated,”** § 1026.37(o)(2) also incorporates that designation into its requirement. For example, § 1026.37(c)(2)(iv) requires disclosure of the total periodic payment labeled **“Total Monthly Payment,”** but the label on form H-24 contains the designation **“Estimated”** and thus, the label required by § 1026.37(c)(2)(iv) must contain the designation **“Estimated.”** Although many of the disclosures required by § 1026.38 cross-reference their counterparts in § 1026.37, § 1026.38(t) incorporates the **“estimated”** designations reflected on form H-25, not form H-24.

CFPB Guide

None.

[60] Form - Low

Y&A Completion Instruction:

There are no completion instructions for this section. This instruction requires that all federally related mortgage loans use the Loan Estimate form (H-24) or a substantially similar document.

Audit: What You are Looking For

It would be very unusual for an institution to use any version of the Loan Estimate that is not the standard Loan Estimate form (H-24). The auditor must decide if there's any reason to pursue this matter.

Regulation § 1026.37(o)(3)

(3) **Form.** Except as provided in paragraph (o)(5) of this section:

- (i) For a transaction subject to § 1026.19(e) that is a federally related mortgage loan, as defined in Regulation X, 12 CFR 1024.2, the disclosures must be made using form H-24, set forth in appendix H to this part.
- (ii) For any other transaction subject to this section, the disclosures must be made with headings, content, and format substantially similar to form H-24, set forth in appendix H to this part.
- (iii) The disclosures required by this section may be provided to the consumer in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.).

Regulatory Commentary

1. **Non-federally related mortgage loans.** *For a non-federally related mortgage loan, the creditor is not required to use form H-24 of appendix H to this part, although its use as a model form for such transactions, if properly completed with accurate content, constitutes compliance with the clear and conspicuous and segregation requirements of § 1026.37(o)(1)(i). Even when the creditor elects not to use the model form, § 1026.37(o)(1) requires that the disclosures be grouped together and segregated from everything else; contain only the information required by § 1026.37(a) through (n); and be provided in the same order as they occur in form H-24, using the same relative positions of the headings, labels, and similar designations as shown in the form. In addition, § 1026.37(o)(2) requires that the creditor include the designation of “estimated” for all headings, subheading, labels, and similar designations required by § 1026.37 for which form H-24 contains the “estimated” designation in such heading, subheading, label, or similar designation. The disclosures required by § 1026.37 comply with*

the requirement to be in a format substantially similar to form H-24 when provided on letter size (8.5" x 11") paper.

CFPB Guide

None.

[61] Rounding - Low

Y&A Completion Instruction:

There are no completion instructions for this section. This instruction requires that all fields follow the rounding rules. This is strictly a software issue.

Audit Note

All requirements for rounding have been included in the instructions above. Therefore, the answer to this particular instruction will always be a “correct,” as any errors have already been noted elsewhere.

Regulatory Text § 1026.37(o)(4)

(4) Rounding.

(i) Nearest dollar.

(A) The dollar amounts required to be disclosed by paragraphs (b)(6) and (7), (c)(1)(iii), (c)(2)(ii) and (iii), (c)(4)(ii), (f), (g), (h), (i), and (l) of this section shall be rounded to the nearest whole dollar, except that the per-diem dollar amount required to be disclosed by paragraph (g)(2)(iii) of this section and the monthly dollar amounts required to be disclosed by paragraphs (g)(3)(i) through (iii) and (g)(3)(v) of this section shall not be rounded.

(B) The dollar amount required to be disclosed by paragraph (b)(1) of this section shall not be rounded, and if the amount is a whole number then the amount disclosed shall be truncated at the decimal point.

(C) The dollar amounts required to be disclosed by paragraph (c)(2)(iv) of this section shall be rounded to the nearest whole dollar, if any of the component amounts are required by paragraph (o)(4)(i)(A) of this section to be rounded to the nearest whole dollar.

(ii) Percentages. The percentage amounts required to be disclosed under paragraphs (b)(2) and (6), (f)(1)(i), (g)(2)(iii), (j), and (l)(2) and (3) of this section shall be disclosed by rounding the exact amounts to three decimal places and then dropping any trailing zeros that occur to the right of the decimal place.

Regulatory Commentary

37(o)(4) Rounding.

37(o)(4)(i) Nearest dollar.

Paragraph 37(o)(4)(i)(A).

1. **Rounding of dollar amounts.** Section 1026.37(o)(4)(i)(A) requires that certain dollar amounts be rounded to the nearest whole dollar. For example, under § 1026.37(o)(4)(i)(A), periodic mortgage insurance payments are rounded and disclosed to the nearest dollar, such that a periodic mortgage insurance payment of \$164.50 is disclosed under § 1026.37(c)(2)(ii) as \$165, but a periodic mortgage insurance payment of \$164.49 is disclosed as \$164. The per-diem amount disclosed under § 1026.37(g)(2)(iii) and the monthly amounts for the initial escrow payment at closing disclosed pursuant to § 1026.37(g)(3)(i) through (iii) and (v) do not include partial cents. Dollar amounts are rounded or truncated to the nearest whole cent. For example, under § 1026.37(g)(2)(iii), the creditor discloses per-diem interest of \$68.1254 as \$68.13 or \$68.12. See form H-24(B) in appendix H to this part for an illustration of per-diem amounts for homeowner's insurance disclosed pursuant to § 1026.37(g)(3)(i).
2. **Calculations.** If a dollar amount that is required to be rounded by § 1026.37(o)(4)(i) on the Loan Estimate is a total of one or more dollar amounts that are not required or permitted to be rounded, the total amount must be rounded consistent with § 1026.37(o)(4)(i), but such component amounts used in the calculation must use such unrounded numbers. In addition, if any such unrounded component amount is required to be disclosed under § 1026.37, consistent with § 1026.2(b)(4), it should be disclosed as an unrounded number. If an amount that is required to be rounded by § 1026.37(o)(4)(i) on the Loan Estimate is a total of one or more components that are also required to be rounded by § 1026.37(o)(4)(i), the total amount must be calculated using such rounded amounts. For example, the subtotals required to be disclosed by § 1026.37(f)(1), (2), and (3) are calculated using the rounded amounts disclosed under those subsections. See also comment 37(o)(4)(i)(C)-1. However, the amounts required to be disclosed by § 1026.37(l) reference actual amounts for their components, rather than other amounts disclosed under § 1026.37 and rounded pursuant to § 1026.37(o)(4)(i), and thus, they are calculated using unrounded numbers.

Paragraph 37(o)(4)(i)(A).

1. **Rounding of dollar amounts.** Section 1026.37(o)(4)(i)(A) requires that certain dollar amounts be rounded to the nearest whole dollar. For example, pursuant to § 1026.37(o)(4)(i)(A), periodic mortgage insurance payments of \$164.50 are required to be disclosed under § 1026.37(c)(2)(ii) as \$165. However, if the periodic mortgage insurance payment equaled \$164.49, the creditor would disclose \$164.

Paragraph 37(o)(4)(i)(B).

1. **Rounding of loan amount.** Section 1026.37(o)(4)(i)(B) requires the loan amount to be disclosed truncated at the decimal place if the loan amount is a whole number. For example, if § 1026.37(b)(1) requires disclosure of a loan amount of \$481,516.23, the creditor discloses the amount as \$481,516.23. However, if the loan amount required to be disclosed were \$481,516.00, the creditor would disclose \$481,516.

Paragraph 37(o)(4)(i)(C).

1. **Rounding of the total monthly payment.** Section 1026.37(o)(4)(i)(C) requires the total

monthly payment amount disclosed under § 1026.37(c)(2)(iv) to be rounded if any of its components are rounded. For example, if the total monthly payment disclosed under § 1026.37(c)(2)(iv) is composed of a \$2,000.49 periodic principal and interest payment required to be disclosed by § 1026.37(c)(2)(i) and a \$164.49 periodic mortgage insurance payment required to be disclosed by § 1026.37(c)(2)(ii), the creditor would calculate the total monthly payment by adding the exact periodic principal and interest payment of \$2,000.49 and the rounded periodic mortgage insurance payment of \$164, round the total, and disclose \$2,164.

37(o)(4)(ii) Percentages.

- 1. Decimal places.** *Section 1026.37(o)(4)(ii) requires the percentage amounts disclosed rounding exact amounts to three decimal places, but the creditor does not disclose trailing zeros to the right of the decimal point. For example, a 2.4999 percent annual percentage rate is disclosed as “2.5%” under § 1026.37(o)(4)(ii). Similarly, a 7.005 percent annual percentage rate is disclosed as “7.005%,” and a 7.000 percent annual percentage rate is disclosed as “7%.”*

CFPB Guide

None.

[62] Exceptions - Low

Y&A Completion Instruction:

There are no completion instructions for this section. This is strictly a software issue.

Audit Note

These are general issues that should not impact the Loan Estimate process, and are built into the software. The appropriate audit answer for this instruction should always be “correct.”

Regulatory Text § 1026.37(o)(5)

(5) Exceptions.

- (i) **Unit-period.** Wherever the form or this section uses “monthly” to describe the frequency of any payments or uses “**month**” to describe the applicable unit-period, the creditor shall substitute the appropriate term to reflect the fact that the transaction’s terms provide for other than monthly periodic payments, such as bi-weekly or quarterly payments.
- (ii) **Translation.** The form may be translated into languages other than English, and creditors may modify form H-24 of appendix H to this part to the extent that translation prevents the headings, labels, designations, and required disclosure items under this section from fitting in the space provided on form H-24.
- (iii) **Logo or slogan.** The creditor providing the form may use a logo for, and include a slogan with, the information required by paragraph (a)(3) of this section in any font size or type, provided that such logo or slogan does not cause the information required by paragraph (a)(3) of this section to exceed the space provided for that information, as illustrated in form H-24 of appendix H to this part. If the creditor does not use a logo for the information required by paragraph (a)(3) of this section, the information shall be disclosed in a similar format as form H- 24.
- (iv) **Business card.** The creditor may physically attach a business card over the information required to be disclosed by paragraph (a)(3) of this section.
- (v) **Administrative information.** The creditor may insert at the bottom of each page under the disclosures required by this section as illustrated by form H-24 of appendix H to this part, any administrative information, text, or codes that assist in identification of the form or the information disclosed on the form, provided that the space provided on form H-24 of appendix H to this part for any of the information required by this section is not altered.

Regulatory Commentary

1. **Permissible changes.** *The changes required or permitted by § 1026.37(o)(5) are permitted for*

federally related mortgage loans for which the use of form H-24 is required under § 1026.37(o)(3). For non-federally related mortgage loans, the changes required or permitted by § 1026.37(o)(5) do not affect the substance, clarity, or meaningful sequence of the disclosure and therefore, are permissible. Any changes to the disclosure not specified in § 1026.37(o)(5) or not permitted by other provisions of § 1026.37 are not permissible for federally related mortgage loans. Creditors in non-federally related mortgage loans making any changes that affect the substance, clarity, or meaningful sequence of the disclosure will lose their protection from civil liability under TILA section 130.

2. **Manual completion.** Section 1026.37(o) does not require the creditor to use a computer, typewriter, or other word processor to complete the disclosure form. The information and amounts required to be disclosed by § 1026.37 on form H-24 of appendix H to this part may be filled in by hand printing or using any other method, provided the information is clear and legible and complies with the formatting required by form H-24, including replicating bold font where required.
3. **Contact information.** If a transaction involves more than one creditor or mortgage broker, the space provided on form H-24 of appendix H to this part for the contact information required by § 1026.37(m) may be altered to add additional labels to accommodate the additional information of such parties, provided that the information required by § 1026.37(l), (m), and (n) are disclosed on the same page as illustrated by form H-24. If the space provided on form H-24 of appendix H to this part does not allow for the disclosure of such contact and other information on the same page, an additional page may be added to provide the required contact information with an appropriate reference to the additional page.
4. **Unit-period.** Section 1026.37(o)(5)(i) provides that wherever form H-24 or § 1026.37 applicable unit-period, the creditor is required to substitute the appropriate term to reflect the fact that the transaction's terms provide for other than monthly periodic payments, such as bi-weekly or quarterly payments. For purposes of § 1026.37, the term “unit-period” has the same meaning as in appendix J to Regulation Z.
5. **Additional page.** Information required or permitted to be disclosed by § 1026.37 on a separate page should be formatted similarly to form H-24 of appendix H to this part, so as not to affect the substance, clarity, or meaningful sequence of the disclosure. In addition, information provided on additional pages should be consolidated on as few pages as necessary to not affect the substance, clarity, or meaningful sequence of the disclosure.
6. **Translation.** Section 1026.37(o)(5)(ii) permits the translation of form H-24 into languages other than English, consistent with § 1026.27. Pursuant to § 1026.37(o)(5)(ii) creditors may modify form H-24 to the extent that translation prevents the headings, labels, designations, and required disclosure items under § 1026.37 from fitting in the space provided on form H-24. For example, if the translation of a required label does not fit within the line provided for such label in form H-24, the label may be disclosed over two lines. See form H-28 of appendix H to this part for Spanish translations of form H-24.

CFPB Guide

None.