

Application Pitfalls

Community Bankers for Compliance (CBC) Second Quarter (Q2) 2023

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Table of Contents

Applications as They Appear in Regulation B.....	1
Section 1: Regulation B, Appendix B, Introduction.....	2
Section 2: Regulation B, Appendix B: Form 1	3
Section 3: Regulation B, Appendix B: Form 2	6
Section 4: Regulation B, Appendix B: Form 3	9
Section 5: Regulation B, Appendix B: Form 4	12
Section 6: Regulation B, Appendix B: Form 5	15
Regulation B Application Instructions	20
Section 1: Initial Regulation B Information	21
Section 2: Regulatory Definitions of Application.....	26
Section 3: Regulation B (Other Definitions - Truncated) 12 CFR §1002.2	30
Section 4: General Regulation B Rules 12 CFR § 1002.4	41
The GSE Application and Regulation B Application Rules	48
Section 1: GSE Uniform Residential Loan Application (URLA) Basics and General Instructions	49
Section 2: Regulation B - Rules Concerning Requests for Information 12 CFR §1002.5	52
Section 3: Applicant Information Overview (Application Section 1).....	53
Section 4: Initial Applicant Information – Applicant 1 (Section 1a).....	56
Section 5: Marital Status, Dependents, Contact Information – Applicant 1 (Section 1a).....	61
Section 6: Address Information – Applicant 1 (Section 1a).....	64
Section 7: Employment and Other Income Information – Applicant 1 (Section 1b – 1e).....	66
Section 8: Applicant – Assets and Liabilities (Application Section 2).....	72
Section 9: Applicant – Real Estate (Application Section 3).....	79
Section 10: Applicant – Loan Information (Application Section 4).....	84
Section 11: Declarations Page – Applicant 1 (Application Section 5)	90
Section 12: Acknowledgement for Both Applicants (Application Section 6).....	94
Section 13: Military Service – Applicant 1 (Application Section 7).....	96

Demographic Information Government Monitoring Information.....	97
Section 1: Demographic Information – Applicant 1 (Application Section 8).....	98
Section 2: Regulation B - Government Monitoring Information Rules 12 CFR §1002.5 and 12 CFR §1002.13.....	100
Section 3: HMDA Government Monitoring Information Rules 12 CFR §1003.4(b).....	109
Loan Originator Information	113
Section 1: Loan Originator Information (Application Section 9).....	114
GSE Application - Applicant 2.....	116
Section 1: Additional Applicant Personal Data (Application Page 10-11)	117
Section 2: Additional Applicant Declarations (Application Page 12).....	120
Section 3: Additional Applicant Demographics and Loan Originator Information (Application Page 13)	122
Section 4: Unmarried Addendum.....	124
Section 5: URLA Lender Loan Information.....	126
Section 6: Continuation Sheet.....	135
Section 7: Additional URLA Resources.....	137
Repayment Ability Income Calculation DTI Calculation.....	138
Section 1: Repayment Ability and Scope [12 CFR § 1026.43(a)]	139
Section 2: Repayment Ability – General Requirement 12 CFR § 1026.43(c)(1).....	143
Section 3: Repayment Ability – Basis for Determination 12 CFR § 1026.43(c)(2).....	145
Section 4: Repayment Ability Verification Using Third-Party Records 12 CFR § 1026.43(c)(3).....	154
Section 5: Repayment Ability Verification of Income and Assets [12 CFR § 1026.43(c)(4)]	157
Section 6: Repayment Ability – Payment Calculation [12 CFR § 1026.43(c)(5)]	160
Section 7: Repayment Ability Payment Calculation for Simultaneous Loans [12 CFR § 1026.43(c)(6)]	169
Section 8: Repayment Ability – DTI/Residual Income [12 CFR § 1026.43(c)(7)]	171
Evaluating Applications	173
Section 1: Rules Concerning Evaluation of Applications 12 CFR § 1002.6.....	174
Adverse Action Notifications Declines Counteroffers Lack of Required Information	185
Section 1: Introduction to Adverse Actions 12 CFR § 1002.9.....	186
Section 2: Adverse Action Notification Timing 12 CFR § 1002.9(a)(1)	190

Section 3: Content of Notification of Action Taken 12 CFR § 1002.9(a)(2)	192
Section 4: Notification of Action Taken (Business Applicants) 12 CFR §1002.9(a)(3).....	194
Section 5: The ECOA Notice 12 CFR §1002.9(b)(1)	197
Section 6: ECOA Notice / Statement of Specific Reasons 12 CFR §1002.9(b)(2)	198
Section 7: Incomplete Application (Notice Alternatives) 12 CFR §1002.9(c)(1).....	202
Section 8: Oral Notifications by Small-Volume Creditors 12 CFR §1002.9(d).....	205
Section 9: Withdrawal of Approved Application 12 CFR §1002.9(e).....	206
Section 10: Multiple Applicants 12 CFR §1002.9(f).....	207
Section 11: Applications Submitted Through a Third Party 12 CFR §1002.9(g).....	209
Regulation B Appendix C Model Forms	211
Section 1: Adverse Action Completion	212
Section 2: Form C-1 - Sample Notice of Action Taken and Statement of Reasons	213
Section 3: Form C-2 - Sample Notice of Action Taken and Statement of Reasons	216
Section 4: Form C-3 - Sample Notice of Action Taken and Statement of Reasons (Credit Scoring)	218
Section 5: Form C-4 - Sample Notice of Action Taken, Statement of Reasons and Counteroffer.....	220
Section 6: Form C-5 - Sample Disclosure of Right To Request Specific Reasons for Credit Denial	222
Section 7: Form C-6 - Sample Notice of Incomplete Application and Request for Additional Information.....	224
Section 8: Form C-7 - Sample Notice of Action Taken and Statement of Reasons (Business Credit)	225
Section 9: Form C-8 - Sample Disclosure of Right To Request Specific Reasons for Credit Denial Given at Time of Application (Business Credit)	226
Section 10: Form C-9 - Sample Disclosure of Right To Receive a Copy of Appraisals.....	227
Section 11: Form C-10 - Sample Disclosure About Voluntary Data Notation	228
Section 12: Regulation B, Appendix A	229

Applications as They Appear in Regulation B

Section 1:

Regulation B, Appendix B, Introduction

Text

1. This appendix contains four model credit application forms, each designated for use in a particular type of consumer credit transaction as indicated by the bracketed caption on each form. The first sample form is intended for use in open-end, unsecured transactions; the second for closed-end, secured transactions; the third for closed-end transactions, whether unsecured or secured; and the fourth in transactions involving community property or occurring in community property States. This appendix also contains a data collection model form for collecting information concerning an applicant's ethnicity, race, and sex that complies with the requirements of § 1002.13(a)(1)(i)(A) and (ii). Appendix B to 12 CFR part 1003 provides a data collection model form for collecting information concerning an applicant's ethnicity, race, and sex that complies with the requirements of § 1002.13(a)(1)(i)(B) and (ii). All forms contained in this appendix are models; their use by creditors is optional.
2. The use or modification of these forms is governed by the following instructions. A creditor may change the forms: by asking for additional information not prohibited by § [1002.5](#); by deleting any information request; or by rearranging the format without modifying the substance of the inquiries. In any of these three instances, however, the appropriate notices regarding the optional nature of courtesy titles, the option to disclose alimony, child support, or separate maintenance, and the limitation concerning marital status inquiries must be included in the appropriate places if the items to which they relate appear on the creditor's form.
3. If a creditor uses an appropriate appendix B model form, or modifies a form in accordance with the above instructions, that creditor shall be deemed to be acting in compliance with the provisions of paragraphs (b), (c) and (d) of § [1002.5](#) of this part.

Editor's Note

The samples that appear on the next few pages are not very clear. They were taken directly from the online regulation, and the online regulation copies were not clear. We apologize for the lack of clarity.

Although the documents presented are “applications,” the word “Borrower” is used on the forms and in the instructions.

Section 2: Regulation B, Appendix B: Form 1

Description

The first sample form is intended for use in open-end, unsecured transactions. Note the specific instructions regarding marital status.

[Open-end, unsecured credit]

CREDIT APPLICATION**IMPORTANT: Read these Directions before completing this Application.**

- Check ☐ If you are applying for an individual account in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D.
- Appropriate ☐ If you are applying for a joint account or an account that you and another person will use, complete all Sections, providing information in B about the joint applicant or user.
- Box

We intend to apply for joint credit: _____

Applicant

Co-Applicant

- ☐ If you are applying for an individual account, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying.

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): _____ Birthdate: / /

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Previous Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced in the next two years?

☐ Yes (Explain in detail on a separate sheet.) ☐ No

Have you ever received credit from us? _____ When? _____ Office: _____

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with you: _____ Telephone: _____

Relationship: _____ Address: _____

SECTION B—INFORMATION REGARDING JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): _____ Birthdate: / /

Relationship to Applicant (if any): _____

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced in the next two years?

☐ Yes (Explain in detail on a separate sheet.) ☐ No

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with Joint Applicant, User, or Other Party: _____ Telephone: _____

Relationship: _____ Address: _____

SECTION C—MARITAL STATUS

(Do not complete if this is an application for an individual account.)

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

[Open-end, unsecured credit]

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant, User, or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED (use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	\$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	\$		

OUTSTANDING DEBTS (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	<input type="checkbox"/> Rent Payment <input type="checkbox"/> Mortgage		\$ (Omit rent)	\$ (Omit rent)	\$	
2.						
3.						
4.						
5.						
6.						
Total Debts			\$	\$	\$	

(Credit References)

	Date Paid
1.	\$
2.	

Are you a co-maker, endorser, or guarantor on any loan or contract?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" for whom?	To whom?
Are there any unsatisfied judgments against you?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Amount \$	If "yes" to whom owed?
Have you been declared bankrupt in the last 14 years?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" where?	Year
Other Obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)			

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature	Date	Other Signature (Where Applicable)	Date
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Section 3: Regulation B, Appendix B: Form 2

Description

The second application is for closed-end, secured transactions. In theory, it could be used for real estate loans. See the bottom of page 2 of this application. However, it would need to have a page attached to it if government monitoring information is required.

IMPORTANT: Read these Directions before completing this Application.

☐ If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete Sections A, C, D, and E, omitting B and the second part of C.

☐ If this is an application for joint credit with another person, complete all Sections, providing information in B about the joint applicant.

Co-Applicant

Amount Requested \$ _____	Payment Date Desired _____	Proceeds of Credit To be Used For _____
------------------------------	-------------------------------	--

Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

[Closed-end, secured credit]

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED (use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	\$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	\$		

OUTSTANDING DEBTS (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	<input type="checkbox"/> Rent Payment <input type="checkbox"/> Mortgage		\$ (Omit rent)	\$ (Omit rent)	\$	
2.						
3.						
Total Debts			\$	\$	\$	

(Credit References)

Date Paid

1.	\$	
2.		

Are you a co-maker, endorser, or guarantor on any loan or contract?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" for whom?	To whom?
Are there any unsatisfied judgments against you?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Amount \$	If "yes" to whom owed?
Have you been declared bankrupt in the last 14 years?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" where?	Year
Other Obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)			

SECTION E—SECURED CREDIT (Briefly describe the property to be given as security.)

and list names and addresses of all co-owners of the property:

Name	Address

If the security is real estate, give the full name of your spouse (if any):

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature	Date	Other Signature (Where Applicable)	Date
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Section 4: Regulation B, Appendix B: Form 3

Description

This application form is for closed-end transactions, whether unsecured or secured. In theory, it could be used for real estate loans. See the bottom of page 2 of this application. However, it would need to have a page attached to it if government monitoring information is required.

[Closed end, unsecured/secured credit]

CREDIT APPLICATION**IMPORTANT: Read these Directions before completing this Application.**Check
Appropriate
Box:

☐ If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D. If the requested credit is to be secured, also complete the first part of Section C and Section E.

☐ If you are applying for joint credit with another person, complete all Sections except E, providing information in B about the joint applicant. If the requested credit is to be secured, then complete Section E.

We intend to apply for joint credit.

Applicant

Co-Applicant

☐ If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections except E to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, then complete Section E.

Amount Requested \$ _____ Payment Date Desired _____ Proceeds of Credit To be Used For _____

SECTION A—INFORMATION REGARDING APPLICANTFull Name (Last, First, Middle): _____ Birthdate: 11/1

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Previous Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet.) ☐ No ☐

Have you ever received credit from us? _____ When? _____ Office? _____

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with you: _____ Telephone: _____

Relationship: _____ Address: _____

SECTION B—INFORMATION REGARDING JOINT APPLICANT, OR OTHER PARTY (Use separate sheets if necessary.)Full Name (Last, First, Middle): _____ Birthdate: 11/1

Relationship to Applicant (if any): _____

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet.) ☐ No ☐

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with

Joint Applicant or Other Party: _____ Telephone: _____

Relationship: _____ Address: _____

[Closed-end, unsecured/secured credit]

SECTION C—MARITAL STATUS

(Do not complete if this is an application for individual unsecured credit.)

 Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
 Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)
ASSETS OWNED (use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	\$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	\$		

OUTSTANDING DEBTS (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	<input type="checkbox"/> Rent Payment <input type="checkbox"/> Mortgage		\$ (Omit rent)	\$ (Omit rent)	\$	
2.						
3.						
Total Debts			\$	\$	\$	

(Credit References)

	Date Paid
1. \$	
2.	

Are you a co-maker, endorser, or guarantor on any loan or contract?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" for whom?	To whom?
Are there any unsatisfied judgments against you?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Amount: \$	If "yes" to whom owed?
Have you been declared bankrupt in the last 14 years?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" where?	Year
Other Obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)			

SECTION E—SECURED CREDIT (Complete only if credit is to be secured.) Briefly describe the property to be given as security.

and list names and addresses of all co-owners of the property:

Name	Address

If the security is real estate, give the full name of your spouse (if any):

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature	Date	Other Signature (Where Applicable)	Date
-----------------------	------	---------------------------------------	------

Section 5: Regulation B, Appendix B: Form 4

Description

This application form is for community property states, whether unsecured or secured. In theory, it could be used for real estate loans. See the bottom of page 2 of this application. However, it would need to have a page attached to it if government monitoring information is required.

[Community property]

CREDIT APPLICATION**IMPORTANT: Read these Directions before completing this Application.**Check
Appropriate
Box

- ☐ If you are applying for individual credit in your own name, are not married, and are not relying on alimony, child support, or separate maintenance payments or on the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D. If the requested credit is to be secured, also complete Section E.
- ☐ In all other situations, complete all Sections except E, providing information in B about your spouse, a joint applicant or user, or the person on whose alimony, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, also complete Section E.

If you intend to apply for joint credit, please initial here:

Applicant

Co-Applicant

Amount Requested \$ _____ Payment Date Desired _____ Proceeds of Credit
To be Used For _____

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): _____ Birthdate: ____/____/____

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Previous Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced in the next two years or before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet.) ☐ No

Have you ever received credit from us? _____ When? _____ Office: _____

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with you: _____ Telephone: _____

Relationship: _____ Address: _____

SECTION B—INFORMATION REGARDING SPOUSE, JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): _____ Birthdate: ____/____/____

Relationship to Applicant (if any): _____

Present Street Address: _____ Years there: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Social Security No.: _____ Driver's License No.: _____

Present Employer: _____ Years there: _____ Telephone: _____

Position or title: _____ Name of supervisor: _____

Employer's Address: _____

Previous Employer: _____ Years there: _____

Previous Employer's Address: _____

Present net salary or commission: \$ _____ per _____ No. Dependents: _____ Ages: _____

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: \$ _____ per _____ Source(s) of other income: _____

Is any income listed in this Section likely to be reduced in the next two years or before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet.) ☐ No

Checking Account No.: _____ Institution and Branch: _____

Savings Account No.: _____ Institution and Branch: _____

Name of nearest relative not living with Spouse, Joint Applicant, User, or Other Party: _____ Telephone: _____

Relationship: _____ Address: _____

[Community property]

SECTION C—MARITAL STATUS

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
 Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Spouse, Joint Applicant, User, or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED (use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	\$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	\$		

OUTSTANDING DEBTS (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	<input type="checkbox"/> Rent Payment <input type="checkbox"/> Mortgage		\$ (Omit rent)	\$ (Omit rent)	\$	
2.						
3.						
Total Debts			\$	\$	\$	

(Credit References)

	Date Paid
1.	\$
2.	

Are you a co-maker, endorser, or guarantor on any loan or contract?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" for whom?	To whom?
Are there any unsatisfied judgments against you?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Amount \$	If "yes" to whom owed?
Have you been declared bankrupt in the last 14 years?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If "yes" where?	Year
Other Obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)			

SECTION E—SECURED CREDIT (Complete only if credit is to be secured.) Briefly describe the property to be given as security.

and list names and addresses of all co-owners of the property:

Name	Address

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature	Date	Other Signature (Where Applicable)	Date
-----------------------	------	------------------------------------	------

Section 6: Regulation B, Appendix B: Form 5

Description

This application form is for residential real estate loans. This is still the approved residential real estate form.

There are limitations regarding the use of this form. It cannot be used if there is any chance that the bank may wish to sell the loan to anyone in the future. The attached government monitoring information document is also inadequate if the bank is a HMDA reporter.

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the "Borrower" (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

I. TYPE OF MORTGAGE AND TERMS OF LOAN					
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural Housing Service	<input type="checkbox"/> Other (explain):	Agency Case Number	Lender Case Number
Amount \$	Interest Rate %	No. of Months	Amortization Type: <input type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM <input type="checkbox"/> Other (explain): <input type="checkbox"/> ARM (type):		

II. PROPERTY INFORMATION AND PURPOSE OF LOAN					
Subject Property Address (street, city, state, & ZIP)					No. of Units
Legal Description of Subject Property (attach description if necessary)					Year Built
Purpose of Loan: <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain): <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent			Property will be: <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment		
Complete this line if construction or construction-permanent loan.					
Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$	(b) Cost of Improvements \$	Total (a + b) \$
Complete this line if this is a refinance loan.					
Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements <input type="checkbox"/> made <input type="checkbox"/> to be made	Cost \$
Title will be held in what Name(s)			Manner in which Title will be held		Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)
Source of Down Payment, Settlement Charges and/or Subordinate Financing (explain)					

Borrower	III. BORROWER INFORMATION	Co-Borrower
Borrower's Name (include Jr. or Sr. if applicable)		Co-Borrower's Name (include Jr. or Sr. if applicable)
Social Security Number	Home Phone (incl. area code)	DOB (MM/DD/YYYY)
Yrs. School	Social Security Number	Home Phone (incl. area code)
DOB (MM/DD/YYYY)	Yrs. School	Social Security Number
Yrs. School	DOB (MM/DD/YYYY)	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)	Dependents (not listed by Co-Borrower) no. ages	<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)
<input type="checkbox"/> Separated		<input type="checkbox"/> Separated
Present Address (street, city, state, ZIP)	<input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.	Present Address (street, city, state, ZIP)
		<input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.
Mailing Address, if different from Present Address		Mailing Address, if different from Present Address
If residing at present address for less than two years, complete the following:		
Former Address (street, city, state, ZIP)	<input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.	Former Address (street, city, state, ZIP)
		<input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.

Borrower	IV. EMPLOYMENT INFORMATION	Co-Borrower
Name & Address of Employer	<input type="checkbox"/> Self Employed	Name & Address of Employer
	Yrs. on this job	<input type="checkbox"/> Self Employed
	Yrs. employed in this line of work/profession	Yrs. on this job
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business
		Business Phone (incl. area code)
If employed in current position for less than two years or if currently employed in more than one position, complete the following:		
Name & Address of Employer	<input type="checkbox"/> Self Employed	Name & Address of Employer
	Dates (from - to)	<input type="checkbox"/> Self Employed
	Monthly Income \$	Dates (from - to)
		Monthly Income \$
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business
		Business Phone (incl. area code)
Name & Address of Employer	<input type="checkbox"/> Self Employed	Name & Address of Employer
	Dates (from - to)	<input type="checkbox"/> Self Employed
	Monthly Income \$	Dates (from - to)
		Monthly Income \$
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business
		Business Phone (incl. area code)

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income**	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income, below")				Homeowner Assn. Dues		
				Other:		
Total	\$	\$	\$	Total	\$	\$

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements

Describe Other income: *Notice:* Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

[illegible]

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed ☐ Jointly ☐ Not Jointly

ASSETS		Cash or Market Value	LIABILITIES AND PLEDGED ASSETS. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Description			LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Cash deposit toward purchase held by:	\$		Name and address of Company	\$ Payment/Months	\$
List checking and savings accounts below			Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Stocks & Bonds (Company name/number & description)	\$		Name and address of Company	\$ Payment/Months	\$
			Acct. no.		
Life insurance net cash value	\$		Name and address of Company	\$ Payment/Months	\$
Face amount: \$			Acct. no.		
Subtotal Liquid Assets	\$		Name and address of Company	\$ Payment/Months	\$
Real estate owned (enter market value from schedule of real estate owned)	\$		Acct. no.		
Vested interest in retirement fund	\$		Name and address of Company	\$ Payment/Months	\$
Net worth of business(es) owned (attach financial statement)	\$				
Automobiles owned (make and year)	\$		Acct. no.		
			Alimony/Child Support/Separate Maintenance Payments Owed to:	\$	
Other Assets (itemize)	\$		Job-Related Expense (child care, union dues, etc.):	\$	
			Total Monthly Payments	\$	
Total Assets a.	\$		Net Worth (a minus b)	\$	
			Total Liabilities b.	\$	

VI. ASSETS AND LIABILITIES (cont.)

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)

Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
	\$	\$	\$	\$	\$	\$
Totals	\$	\$	\$	\$	\$	\$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION

a. Purchase price	\$
b. Alterations, improvements, repairs	
c. Land (if acquired separately)	
d. Refinance (incl. debts to be paid off)	
e. Estimated prepaid items	
f. Estimated closing costs	
g. PMI, MIP, Funding Fee	
h. Discount (if Borrower will pay)	
i. Total costs (add items a through h)	
j. Subordinate financing	
k. Borrower's closing costs paid by Seller	
l. Other Credits (explain)	
m. Loan amount (exclude PMI, MIP, Funding Fee financed)	
n. PMI, MIP, Funding Fee financed	
o. Loan amount (add m & n)	
p. Cash from/to Borrower (subtract j, k, l & o from i)	

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower		Co-Borrower	
	Yes	No	Yes	No
a. Are there any outstanding judgments against you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Have you been declared bankrupt within the past 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Are you a party to a lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, day mortgages, financial obligation, bond, or loan guarantee. If "yes," provide details, including date, name and address of lender, FHA or VA case number, if any, and reasons for the action.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "yes," give details as described in the preceding question.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Are you obligated to pay alimony, child support, or separate maintenance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Is any part of the down payment borrowed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Are you a co-maker or endorser on a note?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Are you a U.S. citizen?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Are you a permanent resident alien?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Do you intend to occupy the property as your primary residence? If "yes," complete question m below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Have you had an ownership interest in a property in the last three years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(1) What type of property did you own—principal residence (PR), second home (SH), or investment property (IP)?				
(2) How did you hold title to the home—solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?				

IX. ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described herein; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated herein; (6) any owner or servicer of the Loan may verify or reverify any information contained in the application from any source named in this application, and Lender, its successors or assigns may retain the original and/or an electronic record of this application, even if the Loan is not approved; (7) the Lender and its agents, brokers, insurers, servicers, successors or assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the owner or servicer of the Loan may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer credit reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may discriminate neither on the basis of this information, nor on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not wish to furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER <input type="checkbox"/> I do not wish to furnish this information.		CO-BORROWER <input type="checkbox"/> I do not wish to furnish this information.	
Ethnicity:	<input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	Ethnicity:	<input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino
Race:	<input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White	Race:	<input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White
Sex:	<input type="checkbox"/> Female <input type="checkbox"/> Male	Sex:	<input type="checkbox"/> Female <input type="checkbox"/> Male
To be Completed by Interviewer This application was taken by: <input type="checkbox"/> Face-to-face interview <input type="checkbox"/> Mail <input type="checkbox"/> Telephone <input type="checkbox"/> Internet		Interviewer's Name (print or type) _____ Interviewer's Signature _____ Date _____ Interviewer's Phone Number (incl. area code) _____	
		Name and Address of Interviewer's Employer _____	

Continuation Sheet/Residential Loan Application

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark B for Borrower or C for Co-Borrower.

Borrower:

Agency Case Number:

Co-Borrower:

Lender Case Number:

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature

Date

Co-Borrower's Signature

Date

X

X

Regulation B

Application Instructions

Section 1:

Initial Regulation B Information

Purpose - 12 CFR § 1002.1(b)

Regulatory Discussion

Regulation B prohibits discrimination based on the following factors:

- Race
- Color;
- Religion;
- National origin;
- Sex, including sexual preference;
- Marital status;
- Age (provided the applicant has the capacity to contract (usually addressed in State law));
- The applicant's receipt of income derived from any public assistance program; or
- The applicant's exercise, in good faith, of any right under the Consumer Protection Act.

"Prohibited basis" refers not only to the characteristics of an applicant (or officers of an applicant in the case of a corporation) but also to the characteristics of individuals with whom an applicant is affiliated or with whom the applicant associates. This means, for example, that a creditor may not discriminate against an applicant because of that person's personal or business dealings with members of a certain religion, because of the national origin of any persons associated with the extension of credit (such as the tenants in the apartment complex being financed), or because of the race of other residents in the neighborhood where the property offered as collateral is located.

Any Federal, state, or local governmental assistance program that provides a continuing, periodic income supplement, whether premised on entitlement or need, is considered "public assistance." The term includes (but is not limited to) Aid to Families with Dependent Children, food stamps, rent and mortgage supplement or assistance programs, Social Security and Supplemental Security Income, and unemployment compensation. Only physicians, hospitals, and others to whom the benefits are payable need to consider Medicare and Medicaid as public assistance.

Further information on these factors will be discussed in greater detail later in this manual.

Regulation B requires creditors to:

- Notify applicants of action taken on their applications;
- Report credit history in the names of both spouses on an account;
- Retain records of credit applications;
- Collect information about the applicant's race and other personal characteristics in applications for certain dwelling related loans; and
- Provide applicants with copies of appraisal reports used in connection with credit transactions.

Regulatory Text

- (b) **Purpose.** The purpose of this part is to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract); to the fact that all or part of the applicant's income derives from a public assistance program; or to the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The regulation prohibits creditor practices that discriminate on the basis of any of these factors. The regulation also requires creditors to notify applicants of action taken on their applications; to report credit history in the names of both spouses on an account; to retain records of credit applications; to collect information about the applicant's race and other personal characteristics in applications for certain dwelling-related loans; and to provide applicants with copies of appraisal reports used in connection with credit transactions.

Regulatory Commentary

None.

Interpretive Rule (March 2021)

Editor's Note: we have removed all 50 footnotes from this presentation. Other than formatting the document into our manual style, no other changes were made, although some sections were omitted, as they have little significance..

12 CFR Part 1002 Equal Credit Opportunity (Regulation B);

Discrimination on the Bases of Sexual Orientation and Gender Identity

Summary

The Bureau of Consumer Financial Protection (Bureau) is issuing this interpretive rule to

clarify that, with respect to any aspect of a credit transaction, the prohibition against sex discrimination in the Equal Credit Opportunity Act (ECOA) and Regulation B, which implements ECOA, encompasses sexual orientation discrimination and gender identity discrimination, including discrimination based on actual or perceived nonconformity with sex-based or gender-based stereotypes and discrimination based on an applicant's associations.

Dates

This interpretive rule is effective on [Editor's Note: This was published in late March 2021.]

Supplementary Information

I. Background

[Omitted]

II. Discussion

The Bureau interprets the ECOA and Regulation B prohibitions against discrimination on the basis of "sex" to include discrimination based on sexual orientation and/or gender identity. The Bureau's interpretation is consistent with the Court's conclusion in *Bostock* regarding sex discrimination under Title VII.

It is well established that ECOA and Title VII are generally interpreted consistently. Like Title VII, ECOA prohibits sex discrimination (among other bases) and does not require that sex (or other protected characteristics) be the sole or primary reason for an action to be discriminatory. Like Title VII, ECOA applies to sex discrimination against individuals, not just to situations where all men or all women (or any other group of people with a common protected characteristic) are discriminated against categorically. Indeed, Regulation B clarifies that ECOA prohibits discrimination based not only on the characteristics of an applicant but also based on the characteristics of a person with whom an applicant associates.

The Bureau believes that even though the term "sex" is not defined in ECOA or Regulation B, the prohibitions against discrimination on the basis of "sex" under ECOA and Regulation B are correctly interpreted to include discrimination based on sexual orientation and/or gender identity. As explained below and consistent with the Court's analysis in the *Bostock* opinion, this conclusion can be based on "no more than the straightforward application of legal terms with plain and settled meanings." But, even if it were not so straightforward, the Bureau would still reach the same conclusion based on its expertise in interpreting ECOA and Regulation B. In sum, the Bureau finds that under ECOA and Regulation B: (1) sexual orientation discrimination and gender identity discrimination necessarily involve consideration of sex; (2) an applicant's sex must be a "but for" cause of the injury, but need not be the only cause; and (3) discrimination against individuals, and not merely against groups, is covered. The Bureau also clarifies that ECOA's and Regulation B's prohibition against sex discrimination encompasses discrimination motivated by perceived nonconformity with sex-based or gender-based stereotypes, as well as discrimination based on an applicant's associations.

First, under ECOA and Regulation B, as under Title VII, sexual orientation discrimination and gender identity discrimination necessarily involve consideration of sex. For example, if a

creditor declines the loan application of a male applicant on the basis that he is attracted to men, the creditor discriminates against him for traits or actions it tolerates in female applicants; further, this discrimination is motivated, at least partly, by the applicant “failing to fulfill traditional sex stereotypes.” Or, if a creditor declines the loan forbearance application of a transgender person who was identified as male at birth but who now identifies as female, but approves the application of an otherwise similarly-situated applicant who was identified as female at birth and now continues to identify as female, the creditor discriminates against a person identified as male at birth for traits or actions that it tolerates in an applicant identified as female at birth. In these examples, the individual applicant’s “sex plays an unmistakable and impermissible role” in the credit decisions and thus constitutes discrimination on the basis of sex in violation of ECOA and Regulation B. The Bureau’s interpretation is consistent with the Supreme Court’s conclusion in *Bostock* that “it is impossible to discriminate against a person for being homosexual or transgender without discriminating against that individual based on sex.”

Second, under ECOA and Regulation B, as under Title VII, sex does not have to be the sole or primary reason for an action to be discriminatory. For example, when a creditor rejects an applicant on the basis of their being gay or transgender, two causal factors may be in play— both the individual’s sex and something else (the sex to which the individual is attracted or with which the individual identifies). Under ECOA and Regulation B, if a creditor would not have rejected a credit applicant or discouraged a prospective applicant but for that individual’s sex, the causation standards are met, and liability may attach.

Third, ECOA and Regulation B, like Title VII, apply to sex discrimination against individuals, not just to situations where all men or all women are discriminated against categorically. Further, ECOA and Regulation B, like Title VII, work to protect individuals of all sexes from discrimination, and do so equally. For example, a creditor who rejects an application from a woman because the loan officer regards her as insufficiently feminine, and also rejects an application from a man because the loan officer regards him as being insufficiently masculine, may treat men and women as groups more or less equally. But in both scenarios, the creditor has discriminated against an applicant in violation of ECOA and Regulation B by rejecting an individual applicant in part because of sex. Instead of avoiding ECOA exposure, this creditor “doubles it.” It is no defense for a creditor to argue that it is equally happy to reject male and female applicants who are gay or transgender because each instance of discriminating against an individual applicant because of that individual’s sex is an independent violation of ECOA and Regulation B.

Last, the Bureau interprets the ECOA and Regulation B prohibition against discrimination on the basis of “sex” to also include discrimination motivated by perceived nonconformity with sex-based or gender-based stereotypes, including those related to gender identity and/or sexual orientation, as well as discrimination based on an applicant’s associations. An example of discriminatory sex-based or gender-based stereotyping occurs if a small business lender discourages a small business owner appearing at its office from applying for a business loan and tells the prospective applicant to go home and change because, in the view of the creditor, the small business customer’s attire does not accord with the customer’s gender. The Bureau’s interpretation regarding discriminatory stereotyping is consistent with multiple court decisions and with the Court’s *Bostock* decision. The Bureau’s interpretation regarding associational discrimination is similarly consistent with the Court’s reasoning in *Bostock* regarding how discrimination based on the sex, including sexual orientation and/or gender identity, of the persons with whom the individual associates is prohibited under Title VII. A creditor engages in such associational discrimination if it, for example, requires a person applying for credit who is married to a person of the same-sex to provide different documentation of the marriage than a person applying for credit who is married to a person of the opposite sex. The Bureau’s

interpretation is consistent with the principle, applied by Federal agencies for decades, that credit discrimination on a prohibited basis includes discrimination against an applicant because of the protected characteristics of individuals with whom they are affiliated or associated (e.g., spouses, domestic partners, dates, friends, coworkers). Moreover, the Bureau has previously established that a creditor may not discriminate against an applicant because of that person's personal or business dealings with members of a protected class, because of the protected class of any persons associated with the extension of credit, or because of the protected class of other residents in the neighborhood where the property offered as collateral is located.

III. Legal Authority

[Omitted]

IV. Effective Date

Because this rule is solely interpretive, it is not subject to the 30-day delayed effective date for substantive rules under section 553(d) of the Administrative Procedure Act. Therefore, this rule is effective on [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER], the same date that it is published in the Federal Register. Editor's Note: Published in April 2021.

V. Regulatory Matters

[Omitted]

Section 2:

Regulatory Definitions of Application

Introduction

There are various definitions of “application” depending on the regulation. The following are the definitions referred to within this manual.

Real Estate Settlement Procedures Act (RESPA) [12 C.F.R. § 1024.2(b)]

Regulatory Text

(b) Other terms. As used in this part:

Application means the submission of a borrower's financial information in anticipation of a credit decision relating to a federally related mortgage loan, which shall include the borrower's name, the borrower's monthly income, the borrower's social security number to obtain a credit report, the property address, an estimate of the value of the property, the mortgage loan amount sought, and any other information deemed necessary by the loan originator. An application may either be in writing or electronically submitted, including a written record of an oral application.

Regulation B – Equal Credit Opportunity Act (ECOA) [12 C.F.R. § 1002.2(f)]

Regulatory Text

(f) Application means an oral or written request for an extension of credit that is made in accordance with procedures used by a creditor for the type of credit requested. The term application does not include the use of an account or line of credit to obtain an amount of credit that is within a previously established credit limit. A *completed application* means an application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral). The creditor shall exercise reasonable diligence in obtaining such information.

Regulatory Commentary

2(f) Application.

1. **General.** *A creditor has the latitude under the regulation to establish its own application process and to decide the type and amount of information it will require from credit applicants.*
2. **Procedures used.** *The term “procedures” refers to the actual practices followed by a creditor for making credit decisions as well as its stated application procedures. For example, if a creditor's stated policy is to require all applications to be in writing on the creditor's application form, but the creditor also makes credit decisions based on oral requests, the creditor's procedures are to accept both oral and written applications.*
3. **When an inquiry or prequalification request becomes an application.** *A creditor is encouraged to provide consumers with information about loan terms. However, if in giving information to the consumer the creditor also evaluates information about the consumer, decides to decline the request, and communicates this to the consumer, the creditor has treated the inquiry or prequalification request as an application and must then comply with the notification requirements under §1002.9. Whether the inquiry or prequalification request becomes an application depends on how the creditor responds to the consumer, not on what the consumer says or asks. (See comment 9-5 for further discussion of prequalification requests; see comment 2(f)-5 for a discussion of preapproval requests.)*
4. **Examples of inquiries that are not applications.** *The following examples illustrate situations in which only an inquiry has taken place:*
 - i. *A consumer calls to ask about loan terms and an employee explains the creditor's basic loan terms, such as interest rates, loan-to-value ratio, and debt-to-income ratio.*
 - ii. *A consumer calls to ask about interest rates for car loans, and, in order to quote the appropriate rate, the loan officer asks for the make and sales price of the car and the amount of the downpayment, then gives the consumer the rate.*
 - iii. *A consumer asks about terms for a loan to purchase a home and tells the loan officer her income and intended downpayment, but the loan officer only explains the creditor's loan-to-value ratio policy and other basic lending policies, without telling the consumer whether she qualifies for the loan.*
 - iv. *A consumer calls to ask about terms for a loan to purchase vacant land and states his income and the sales price of the property to be financed, and asks whether he qualifies for a loan; the employee responds by describing the general lending policies, explaining that he would need to look at all of the consumer's qualifications before making a decision, and offering to send an application form to the consumer.*
5. **Examples of an application.** *An application for credit includes the following situations:*
 - i. *A person asks a financial institution to “preapprove” her for a loan (for example, to finance a house or a vehicle she plans to buy) and the institution reviews the request under a program in which the institution, after a comprehensive analysis of her creditworthiness, issues a written commitment valid for a designated period of time to extend a loan up to a specified amount. The written commitment may not be subject to conditions other than conditions that require the identification of adequate collateral, conditions that require no material change in the applicant's financial condition or creditworthiness prior to funding*

the loan, and limited conditions that are not related to the financial condition or creditworthiness of the applicant that the lender ordinarily attaches to a traditional application (such as certification of a clear termite inspection for a home purchase loan, or a maximum mileage requirement for a used car loan). But if the creditor's program does not provide for giving written commitments, requests for preapprovals are treated as prequalification requests for purposes of the regulation.

ii. Under the same facts as above, the financial institution evaluates the person's creditworthiness and determines that she does not qualify for a preapproval.

- 6. Completed application - diligence requirement.** *The regulation defines a completed application in terms that give a creditor the latitude to establish its own information requirements. Nevertheless, the creditor must act with reasonable diligence to collect information needed to complete the application. For example, the creditor should request information from third parties, such as a credit report, promptly after receiving the application. If additional information is needed from the applicant, such as an address or a telephone number to verify employment, the creditor should contact the applicant promptly. (But see comment 9(a)(1)-3, which discusses the creditor's option to deny an application on the basis of incompleteness.)*

Regulation C – Home Mortgage Disclosure Act (HMDA) [12 C.F.R. § 1003.2(b)]

Regulatory Text

(b) Application

- (1) In general.** Application means an oral or written request for a covered loan that is made in accordance with procedures used by a financial institution for the type of credit requested.
- (2) Preapproval programs.** A request for preapproval for a home purchase loan, other than a home purchase loan that will be an open-end line of credit, a reverse mortgage, or secured by a multifamily dwelling, is an application under this section if the request is reviewed under a program in which the financial institution, after a comprehensive analysis of the creditworthiness of the applicant, issues a written commitment to the applicant valid for a designated period of time to extend a home purchase loan up to a specified amount. The written commitment may not be subject to conditions other than:
- (i)** Conditions that require the identification of a suitable property;
 - (ii)** Conditions that require that no material change has occurred in the applicant's financial condition or creditworthiness prior to closing; and
 - (iii)** Limited conditions that are not related to the financial condition or creditworthiness of the applicant that the financial institution ordinarily attaches to a traditional home mortgage application.

Regulatory Commentary

1. **Consistency with Regulation B.** *Bureau interpretations that appear in the official commentary to Regulation B (Equal Credit Opportunity Act, 12 CFR part 1002, Supplement I) are generally applicable to the definition of application under Regulation C. However, under Regulation C the definition of an application does not include prequalification requests.*
2. **Prequalification.** *A prequalification request is a request by a prospective loan applicant (other than a request for preapproval) for a preliminary determination on whether the prospective loan applicant would likely qualify for credit under an institution's standards, or for a determination on the amount of credit for which the prospective applicant would likely qualify. Some institutions evaluate prequalification requests through a procedure that is separate from the institution's normal loan application process; others use the same process. In either case, Regulation C does not require an institution to report prequalification requests on the loan/application register, even though these requests may constitute applications under Regulation B for purposes of adverse action notices.*
3. **Requests for preapproval.** *To be a preapproval program as defined in § 1003.2(b)(2), the written commitment issued under the program must result from a comprehensive review of the creditworthiness of the applicant, including such verification of income, resources, and other matters as is typically done by the institution as part of its normal credit evaluation program. In addition to conditions involving the identification of a suitable property and verification that no material change has occurred in the applicant's financial condition or creditworthiness; the written commitment may be subject only to other conditions (unrelated to the financial condition or creditworthiness of the applicant) that the lender ordinarily attaches to a traditional home mortgage application approval. These conditions are limited to conditions such as requiring an acceptable title insurance binder or a certificate indicating clear termite inspection, and, in the case where the applicant plans to use the proceeds from the sale of the applicant's present home to purchase a new home, a settlement statement showing adequate proceeds from the sale of the present home. Regardless of its name, a program that satisfies the definition of a preapproval program in § 1003.2(b)(2) is a preapproval program for purposes of Regulation C. Conversely, a program that a financial institution describes as a "preapproval program" that does not satisfy the requirements of § 1003.2(b)(2) is not a preapproval program for purposes of Regulation C. If a financial institution does not regularly use the procedures specified in § 1003.2(b)(2), but instead considers requests for preapprovals on an ad hoc basis, the financial institution need not treat ad hoc requests as part of a preapproval program for purposes of Regulation C. A financial institution should, however, be generally consistent in following uniform procedures for considering such ad hoc requests.*

Fair Housing Act [12 C.F.R. § 27.2(b)]

The Fair Housing Act defines "application" to mean "an oral in-person or written request for an extension of credit for a home loan that is made in accordance with procedures established by a bank for the type of credit requested."

Section 3:

Regulation B (Other Definitions - Truncated)

12 CFR §1002.2

Introduction

We have omitted any regulatory discussion in the section, as it would not assist in the understanding of the material.

Introduction Regulatory Text

For the purposes of this part, unless the context indicates otherwise, the following definitions apply.

Account - 12 CFR § 1002.2(a)

Omitted.

Act - 12 CFR § 1002.2(b)

Omitted.

Adverse Action - 12 CFR § 1002.2(c)

Regulatory Text

(c) Adverse action.

(1) The term means:

- (i) A refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the creditor makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered;
- (ii) A termination of an account or an unfavorable change in the terms of an account that

does not affect all or substantially all of a class of the creditor's accounts; or

- (iii) A refusal to increase the amount of credit available to an applicant who has made an application for an increase.

(2) The term does not include:

- (i) A change in the terms of an account expressly agreed to by an applicant;
 - (ii) Any action or forbearance relating to an account taken in connection with inactivity, default, or delinquency as to that account;
 - (iii) A refusal or failure to authorize an account transaction at point of sale or loan, except when the refusal is a termination or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the creditor's accounts, or when the refusal is a denial of an application for an increase in the amount of credit available under the account;
 - (iv) A refusal to extend credit because applicable law prohibits the creditor from extending the credit requested; or
 - (v) A refusal to extend credit because the creditor does not offer the type of credit or credit plan requested.
- (3) An action that falls within the definition of both paragraphs (c)(1) and (c)(2) of this section is governed by paragraph (c)(2) of this section.

Regulatory Commentary

2(c) Adverse action.

Paragraph 2(c)(1)(i).

1. **Application for credit.** *If the applicant applied in accordance with the creditor's procedures, a refusal to refinance or extend the term of a business or other loan is adverse action.*

Paragraph 2(c)(1)(ii).

1. **Move from service area.** *If a credit card issuer terminates the open-end account of a customer because the customer has moved out of the card issuer's service area, the termination is adverse action unless termination on this ground was explicitly provided for in the credit agreement between the parties. In cases where termination is adverse action, notification is required under §1002.9.*
2. **Termination based on credit limit.** *If a creditor terminates credit accounts that have low credit limits (for example, under \$400) but keeps open accounts with higher credit limits, the termination is adverse action and notification is required under §1002.9.*

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

1. **Default - exercise of due-on-sale clause.** *If a mortgagor sells or transfers mortgaged property without the consent of the mortgagee, and the mortgagee exercises its contractual right to accelerate the mortgage loan, the mortgagee may treat the mortgagor as being in default. An*

adverse action notice need not be given to the mortgagor or the transferee. (See comment 2(e)-1 for treatment of a purchaser who requests to assume the loan.)

2. **Current delinquency or default.** *The term adverse action does not include a creditor's termination of an account when the accountholder is currently in default or delinquent on that account. Notification in accordance with §1002.9 of the regulation generally is required, however, if the creditor's action is based on a past delinquency or default on the account.*

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

1. **Point-of-sale transactions.** *Denial of credit at point of sale is not adverse action except under those circumstances specified in the regulation. For example, denial at point of sale is not adverse action in the following situations:*
 - i. *A credit cardholder presents an expired card or a card that has been reported to the card issuer as lost or stolen.*
 - ii. *The amount of a transaction exceeds a cash advance or credit limit.*
 - iii. *The circumstances (such as excessive use of a credit card in a short period of time) suggest that fraud is involved.*
 - iv. *The authorization facilities are not functioning.*
 - v. *Billing statements have been returned to the creditor for lack of a forwarding address.*
2. **Application for increase in available credit.** *A refusal or failure to authorize an account transaction at the point of sale or loan is not adverse action except when the refusal is a denial of an application, submitted in accordance with the creditor's procedures, for an increase in the amount of credit.*

Paragraph 2(c)(2)(v).

1. **Terms of credit versus type of credit offered.** *When an applicant applies for credit and the creditor does not offer the credit terms requested by the applicant (for example, the interest rate, length of maturity, collateral, or amount of downpayment), a denial of the application for that reason is adverse action (unless the creditor makes a counteroffer that is accepted by the applicant), and the applicant is entitled to notification under §1002.9.*

Age - 12 CFR § 1002.2(d)

Omitted.

Applicant - 12 CFR § 1002.2(e)

Regulatory Text

- (e) **Applicant** means any person who requests or who has received an extension of credit from a creditor, and includes any person who is or may become contractually liable regarding an extension of credit. For purposes of §1002.7(d), the term includes guarantors, sureties, endorsers, and similar parties.

Regulatory Commentary

2(e) Applicant.

1. **Request to assume loan.** *If a mortgagor sells or transfers the mortgaged property and the buyer makes an application to the creditor to assume the mortgage loan, the mortgagee must treat the buyer as an applicant unless its policy is not to permit assumptions.*

Business Credit - 12 CFR § 1002.2(g)

Omitted.

Consumer Credit - 12 CFR § 1002.2(h)

Omitted.

Contractually Liable - 12 CFR § 1002.2(i)

Omitted.

Credit - 12 CFR § 1002.2(j)

Omitted.

Credit Card - 12 CFR § 1002.2(k)

Omitted.

Creditor - 12 CFR § 1002.2(l)

Regulatory Text

- (l) **Creditor** means a person who, in the ordinary course of business, regularly participates in a credit decision, including setting the terms of the credit. The term creditor includes a creditor's assignee, transferee, or subrogee who so participates. For purposes of §§1002.4(a) and (b), the term creditor also includes a person who, in the ordinary course of business, regularly refers applicants or prospective applicants to creditors, or selects or offers to select creditors to whom requests for credit may be made. A person is not a creditor regarding any violation of the Act or this part committed by another creditor unless the person knew or had reasonable notice of the act, policy, or practice that constituted the violation before becoming involved in the credit transaction. The term does not include a person whose only participation in a credit transaction involves honoring a credit card.

Regulatory Commentary

2(l) Creditor.

- 1. **Assignees.** The term creditor includes all persons participating in the credit decision. This may include an assignee or a potential purchaser of the obligation who influences the credit decision by indicating whether or not it will purchase the obligation if the transaction is consummated.*
- 2. **Referrals to creditors.** For certain purposes, the term creditor includes persons such as real estate brokers, automobile dealers, home builders, and home-improvement contractors who do not participate in credit decisions but who only accept applications and refer applicants to creditors, or select or offer to select creditors to whom credit requests can be made. These persons must comply with §1002.4(a), the general rule prohibiting discrimination, and with §1002.4(b), the general rule against discouraging applications.*

Credit Transaction - 12 CFR § 1002.2(m)

Omitted.

Discriminate Against an Applicant - 12 CFR § 1002.2(n)

Regulatory Text

- (n) **Discriminate against an applicant** means to treat an applicant less favorably than other applicants.

Regulatory Commentary

None.

Elderly - 12 CFR § 1002.2(o)

Regulatory Text

(o) **Elderly** means age 62 or older.

Regulatory Commentary

None.

Empirically Derived and Other Credit Scoring Systems - 12 CFR § 1002.2(p)

Regulatory Text

(p) **Empirically derived and other credit scoring systems**

- (1) A **credit scoring system** is a system that evaluates an applicant's creditworthiness mechanically, based on key attributes of the applicant and aspects of the transaction, and that determines, alone or in conjunction with an evaluation of additional information about the applicant, whether an applicant is deemed creditworthy. To qualify as an empirically derived, demonstrably and statistically sound, credit scoring system, the system must be:
 - (i) Based on data that are derived from an empirical comparison of sample groups or the population of creditworthy and non-creditworthy applicants who applied for credit within a reasonable preceding period of time;
 - (ii) Developed for the purpose of evaluating the creditworthiness of applicants with respect to the legitimate business interests of the creditor utilizing the system (including, but not limited to, minimizing bad debt losses and operating expenses in accordance with the creditor's business judgment);
 - (iii) Developed and validated using accepted statistical principles and methodology; and
 - (iv) Periodically revalidated by the use of appropriate statistical principles and methodology and adjusted as necessary to maintain predictive ability.
- (2) A creditor may use an empirically derived, demonstrably and statistically sound, credit scoring system obtained from another person or may obtain credit experience from which to develop such a system. Any such system must satisfy the criteria set forth in paragraph

(p)(1)(i) through (iv) of this section; if the creditor is unable during the development process to validate the system based on its own credit experience in accordance with paragraph (p)(1) of this section, the system must be validated when sufficient credit experience becomes available. A system that fails this validity test is no longer an empirically derived, demonstrably and statistically sound, credit scoring system for that creditor.

Regulatory Commentary

2(p) Empirically derived and other credit scoring systems.

1. **Purpose of definition.** *The definition under §§1002.2(p)(1)(i) through (iv) sets the criteria that a credit system must meet in order to use age as a predictive factor. Credit systems that do not meet these criteria are judgmental systems and may consider age only for the purpose of determining a “pertinent element of creditworthiness.” (Both types of systems may favor an elderly applicant. See §1002.6(b)(2).)*
2. **Periodic revalidation.** *The regulation does not specify how often credit scoring systems must be revalidated. The credit scoring system must be revalidated frequently enough to ensure that it continues to meet recognized professional statistical standards for statistical soundness. To ensure that predictive ability is being maintained, the creditor must periodically review the performance of the system. This could be done, for example, by analyzing the loan portfolio to determine the delinquency rate for each score interval, or by analyzing population stability over time to detect deviations of recent applications from the applicant population used to validate the system. If this analysis indicates that the system no longer predicts risk with statistical soundness, the system must be adjusted as necessary to reestablish its predictive ability. A creditor is responsible for ensuring its system is validated and revalidated based on the creditor's own data.*
3. **Pooled data scoring systems.** *A scoring system or the data from which to develop such a system may be obtained from either a single credit grantor or multiple credit grantors. The resulting system will qualify as an empirically derived, demonstrably and statistically sound, credit scoring system provided the criteria set forth in paragraph (p)(1)(i) through (iv) of this section are met. A creditor is responsible for ensuring its system is validated and revalidated based on the creditor's own data when it becomes available.*
4. **Effects test and disparate treatment.** *An empirically derived, demonstrably and statistically sound, credit scoring system may include age as a predictive factor (provided that the age of an elderly applicant is not assigned a negative factor or value). Besides age, no other prohibited basis may be used as a variable. Generally, credit scoring systems treat all applicants objectively and thus avoid problems of disparate treatment. In cases where a credit scoring system is used in conjunction with individual discretion, disparate treatment could conceivably occur in the evaluation process. In addition, neutral factors used in credit scoring systems could nonetheless be subject to challenge under the effects test. (See comment 6(a)-2 for a discussion of the effects test).*

Extend Credit and Extension of Credit - 12 CFR § 1002.2(q)

Regulatory Text

- (q) **Extend credit and extension of credit** mean the granting of credit in any form (including, but not limited to, credit granted in addition to any existing credit or credit limit; credit granted pursuant to an open-end credit plan; the refinancing or other renewal of credit, including the issuance of a new credit card in place of an expiring credit card or in substitution for an existing credit card; the consolidation of two or more obligations; or the continuance of existing credit without any special effort to collect at or after maturity).

Regulatory Commentary

None.

Good Faith - 12 CFR § 1002.2(r)

Regulatory Text

- (r) **Good faith** means honesty in fact in the conduct or transaction.

Regulatory Commentary

None.

Inadvertent Error - 12 CFR § 1002.2(s)

Regulatory Text

- (s) **Inadvertent error** means a mechanical, electronic, or clerical error that a creditor demonstrates was not intentional and occurred notwithstanding the maintenance of procedures reasonably adapted to avoid such errors.

Regulatory Commentary

None.

Judgmental System of Evaluating Applicants - 12 CFR § 1002.2(t)

Regulatory Text

- (t) **Judgmental system of evaluating applicants** means any system for evaluating the creditworthiness of an applicant other than an empirically derived, demonstrably and statistically sound, credit scoring system.

Regulatory Commentary

None.

Marital Status - 12 CFR § 1002.2(u)

Regulatory Text

- (u) **Marital status** means the state of being unmarried, married, or separated, as defined by applicable state law. The term “unmarried” includes persons who are single, divorced, or widowed.

Regulatory Commentary

None.

Negative Factor or Value - 12 CFR § 1002.2(v)

Regulatory Text

- (v) **Negative factor or value**, in relation to the age of elderly applicants, means utilizing a factor, value, or weight that is less favorable regarding elderly applicants than the creditor's experience warrants or is less favorable than the factor, value, or weight assigned to the class of applicants that are not classified as elderly and are most favored by a creditor on the basis of age.

Regulatory Commentary

None.

Open-End Credit - 12 CFR § 1002.2(w)

Omitted.

Person - 12 CFR § 1002.2(x)

Regulatory Text

- (x) **Person** means a natural person, corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

Regulatory Commentary

None.

Pertinent Element of Creditworthiness - 12 CFR § 1002.2(y)

Regulatory Text

- (y) **Pertinent element of creditworthiness**, in relation to a judgmental system of evaluating applicants, means any information about applicants that a creditor obtains and considers and that has a demonstrable relationship to a determination of creditworthiness.

Regulatory Commentary

None.

Prohibited Basis - 12 CFR § 1002.2(z)

Regulatory Text

- (z) **Prohibited basis** means race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract); the fact that all or part of the applicant's income derives from any public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any state law upon which an exemption has been granted by the Bureau.

Regulatory Commentary

2(z) Prohibited basis.

1. **Persons associated with applicant.** *As used in this part, prohibited basis refers not only to characteristics - the race, color, religion, national origin, sex, marital status, or age—of an applicant (or officers of an applicant in the case of a corporation) but also to the characteristics of individuals with whom an applicant is affiliated or with whom the applicant associates. This means, for example, that under the general rule stated in §1002.4(a), a creditor may not discriminate against an applicant because of that person's personal or business dealings with members of a certain religion, because of the national origin of any persons associated with the extension of credit (such as the tenants in the apartment complex being financed), or because of the race of other residents in the neighborhood where the property offered as collateral is located.*
2. **National origin.** *A creditor may not refuse to grant credit because an applicant comes from a particular country but may take the applicant's immigration status into account. A creditor may also take into account any applicable law, regulation, or executive order restricting dealings with citizens (or the government) of a particular country or imposing limitations regarding credit extended for their use.*
3. **Public assistance program.** *Any Federal, state, or local governmental assistance program that provides a continuing, periodic income supplement, whether premised on entitlement or need, is “public assistance” for purposes of the regulation. The term includes (but is not limited to) Temporary Aid to Needy Families, food stamps, rent and mortgage supplement or assistance programs, social security and supplemental security income, and unemployment compensation. Only physicians, hospitals, and others to whom the benefits are payable need consider Medicare and Medicaid as public assistance.*

State - 12 CFR § 1002.2(aa)

Omitted.

Section 4:

General Regulation B Rules

12 CFR § 1002.4

Discrimination - 12 CFR § 1002.4(a)

Regulatory Discussion

Regulation B specifically prohibits a creditor from discriminating against an applicant on any of the prohibited bases (see Section 1, §1002.1(b) of this manual) with respect to any aspect (i.e., cradle to grave) of a credit transaction.

Courts of law have recognized three methods of proof of lending discrimination:

- **Overt evidence of disparate treatment.**

There is overt evidence of discrimination when a lender openly discriminates on a prohibited basis. Examples:

- A lender offered a credit card with a limit of up to \$750 for applicants aged 21-30 and \$1500 for applicants over 30. This policy violated the ECOA's prohibition on discrimination based on age.
- A lending officer told a customer, "We do not like to make home mortgages to Native Americans, but the law says we cannot discriminate, and we have to comply with the law." This statement violated §1002.4(b) which prohibits discouraging applicants on a prohibited basis.

- **Comparative evidence of disparate treatment.**

There is comparative evidence of disparate treatment when a lender treats a credit applicant differently based on one of the prohibited bases. Example:

- A non-minority couple applied for an automobile loan. The lender found adverse information in the couple's credit report. The lender discussed the credit report with the couple and determined that the adverse information was incorrect. The non-minority couple was granted their loan. A minority couple applied for a similar loan with the same lender. Upon discovering adverse information in the minority couple's credit report, the lender denied the loan application on the basis of the adverse information without giving the couple an opportunity to discuss the report.

- **Evidence of disparate impact.**

There is disparate impact when a lender applies a racially or otherwise neutral policy or practice equally to all credit applicants, but the policy or practice disproportionately excludes or burdens certain persons on a prohibited basis. Example:

- A lender's policy is not to extend loans for single family residences for less than \$60,000.00. This minimum loan amount policy is shown to disproportionately exclude

potential minority applicants from consideration because of their income levels or the value of the houses in the areas in which they live.

Regulatory Text

- (a) **Discrimination.** A creditor shall not discriminate against an applicant on a prohibited basis regarding any aspect of a credit transaction.

Regulatory Commentary

Paragraph 4(a).

1. **Scope of rule.** *The general rule stated in §1002.4(a) covers all dealings, without exception, between an applicant and a creditor, whether or not addressed by other provisions of the regulation. Other provisions of the regulation identify specific practices that the Bureau has decided are impermissible because they could result in credit discrimination on a basis prohibited by the Act. The general rule covers, for example, application procedures, criteria used to evaluate creditworthiness, administration of accounts, and treatment of delinquent or slow accounts. Thus, whether or not specifically prohibited elsewhere in the regulation, a credit practice that treats applicants differently on a prohibited basis violates the law because it violates the general rule. Disparate treatment on a prohibited basis is illegal whether or not it results from a conscious intent to discriminate.*

2. Examples.

- i. *Disparate treatment would exist, for example, in the following situations:*

- A. *A creditor provides information only on “subprime” and similar products to minority applicants who request information about the creditor’s mortgage products, but provides information on a wider variety of mortgage products to similarly situated nonminority applicants.*
- B. *A creditor provides more comprehensive information to men than to similarly situated women.*
- C. *A creditor requires a minority applicant to provide greater documentation to obtain a loan than a similarly situated nonminority applicant.*
- D. *A creditor waives or relaxes credit standards for a nonminority applicant but not for a similarly situated minority applicant.*

- ii. *Treating applicants differently on a prohibited basis is unlawful if the creditor lacks a legitimate nondiscriminatory reason for its action, or if the asserted reason is found to be a pretext for discrimination.*

Discouragement - 12 CFR § 1002.4(b)

Regulatory Discussion

Discouraging an applicant from applying for an extension of credit, on a prohibited basis, is also specifically prohibited.

Note the commentary for “affirmative advertising” which allows a creditor to specifically solicit or encourage members of traditional disadvantaged groups to apply for credit. Also review the definitions of, and commentary for, “applicant,” “application,” “extension of credit,” and “prohibited basis” for additional information.

Regulatory Text

- (b) **Discouragement.** A creditor shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application.

Regulatory Commentary

Paragraph 4(b).

- 1. **Prospective applicants.** Generally, the regulation's protections apply only to persons who have requested or received an extension of credit. In keeping with the purpose of the Act—to promote the availability of credit on a nondiscriminatory basis—§1002.4(b) covers acts or practices directed at prospective applicants that could discourage a reasonable person, on a prohibited basis, from applying for credit. Practices prohibited by this section include:*
 - i. A statement that the applicant should not bother to apply, after the applicant states that he is retired.*
 - ii. The use of words, symbols, models or other forms of communication in advertising that express, imply, or suggest a discriminatory preference or a policy of exclusion in violation of the Act.*
 - iii. The use of interview scripts that discourage applications on a prohibited basis.*
- 2. **Affirmative advertising.** A creditor may affirmatively solicit or encourage members of traditionally disadvantaged groups to apply for credit, especially groups that might not normally seek credit from that creditor.*

Written Applications - 12 CFR § 1002.4(c)

Regulatory Discussion

A written application is required for the purchase or refinancing of a dwelling occupied or to be occupied by the applicant as a principal residence, where the extension of credit will be secured by the dwelling. Additional details are provided in Section 13, §1002.13(a).

The regulation does not mandate a written application for any other loan type, consumer or commercial purpose. However, it is generally a “best practice” to at least obtain a written application on consumer loan requests. Using a standardized application form creates consistency, which may prove useful in a fair lending examination.

Dwellings include residential structures that contain one to four units, whether or not the structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit and a mobile or other manufactured home.

This requirement for written applications for certain types of dwelling-related loans is intended to assist the Federal supervisory agencies in monitoring compliance with the ECOA and the Fair Housing Act.

Model application forms are provided in Appendix B. Each form is designated for use in a particular type of consumer credit transaction. Note: the use of these forms is optional; however, if a creditor uses an appropriate model form, that creditor shall be deemed to be acting in compliance with the provisions of paragraphs (b), (c) and (d) of §1002.5 (see Section 5 of this manual).

Keep in mind, however, that the use of a regulator-approved consumer loan application form that is dated and signed by all parties requesting credit is the most expeditious manner to assure that the necessary information to make a safe and sound credit decision is obtained and that no prohibited information is requested.

Note the statement “the creditor may complete an application on behalf of an applicant and need not require the applicant to sign the application” under the commentary for “requirement for written applications” as well as the commentary on “telephone applications” and “computerized entry.”

Regulatory Text

(c) **Written applications.** A creditor shall take written applications for the dwelling-related types of credit covered by §1002.13(a).

Regulatory Commentary

Paragraph 4(c).

1. Requirement for written applications. Model application forms are provided in appendix B to the regulation, although use of a printed form is not required. A creditor will satisfy the

requirement by writing down the information that it normally considers in making a credit decision. The creditor may complete an application on behalf of an applicant and need not require the applicant to sign the application.

2. **Telephone applications.** *A creditor that accepts applications by telephone for dwelling-related credit covered by §1002.13 can meet the requirement for written applications by writing down pertinent information that is provided by the applicant.*
3. **Computerized entry.** *Information entered directly into and retained by a computerized system qualifies as a written application under this paragraph. (See the commentary to §1002.13(b), Applications through electronic media and Applications through video.)*

Form of Disclosures - 12 CFR § 1002.4(d)

Regulatory Discussion

The general rule for the disclosures required by Regulation B states they must be *clear and conspicuous* (see commentary) and in a form the applicant may retain.

Exception: the disclosures required by §§1002.5 and 1002.13 do not need to be in a form the applicant may retain.

The required disclosures may also be provided in electronic form, provided there is compliance with the consumer consent and other applicable provisions of the E-Sign Act.

Exception: the disclosures under §§1002.5(b)(1), 1002.5(b)(2), 1002.5(d)(1), 1002.5(d)(2), 1002.13, and 1002.14(a)(2), when accompanying an application accessed by the applicant in electronic form, may be provided in electronic form on or with the application form, without regard to the consumer consent or other provisions of the E-Sign Act.

See the commentary for additional information on providing electronic “form of disclosures.”

Regulatory Text

(d) Form of disclosures

- (1) **General rule.** A creditor that provides in writing any disclosures or information required by this part must provide the disclosures in a clear and conspicuous manner and, except for the disclosures required by §§1002.5 and 1002.13, in a form the applicant may retain.
- (2) **Disclosures in electronic form.** The disclosures required by this part that are required to be given in writing may be provided to the applicant in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. 7001 *et seq.*). Where the disclosures under §§1002.5(b)(1), 1002.5(b)(2), 1002.5(d)(1), 1002.5(d)(2), 1002.13, and 1002.14(a)(2) accompany an application accessed by the applicant in electronic form, these disclosures may be provided to the applicant in electronic form on or with the application form, without regard to the consumer consent or other provisions of

the E-Sign Act.

Regulatory Commentary

Paragraph 4(d).

- 1. **Clear and conspicuous.** This standard requires that disclosures be presented in a reasonably understandable format in a way that does not obscure the required information. No minimum type size is mandated, but the disclosures must be legible, whether typewritten, handwritten, or printed by computer.*
- 2. **Form of disclosures.** Whether the disclosures required to be on or with an application must be in electronic form depends upon the following:*
 - i. If an applicant accesses a credit application electronically (other than as described under ii below), such as online at a home computer, the creditor must provide the disclosures in electronic form (such as with the application form on its Web site) in order to meet the requirement to provide disclosures in a timely manner on or with the application. If the creditor instead mailed paper disclosures to the applicant, this requirement would not be met.*
 - ii. In contrast, if an applicant is physically present in the creditor's office, and accesses a credit application electronically, such as via a terminal or kiosk (or if the applicant uses a terminal or kiosk located on the premises of an affiliate or third party that has arranged with the creditor to provide applications to consumers), the creditor may provide disclosures in either electronic or paper form, provided the creditor complies with the timing, delivery, and retainability requirements of the regulation.*

Foreign Language Disclosures - 12 CFR § 1002.4(e)

Regulatory Discussion

The required disclosures may be made in other languages; however, they must be available in English upon request.

Regulatory Text

- (e) **Foreign-language disclosures.** Disclosures may be made in languages other than English, provided they are available in English upon request.

Regulatory Commentary

None.

Pitfalls

1. You know that a teller has made an inappropriate remark to a customer. For instance, the teller has told an 85 year old applicant that there is no sense in applying for a 30 year loan due to age. What is the appropriate response to resolve this issue?
2. Applicant calls in to talk to a lender about getting a car loan. Before the lender starts the application, the applicant tells them that they are on social security and have quite a bit of credit card debt. Is it okay for the lender tell them that they probably won't qualify for the loan and completing an application is probably a waste of everyone's time?
3. An individual comes into the bank to apply for a mortgage loan. During the course of the discussion, it is clear that English is not their first language, and the loan officer has reservations regarding whether the communication between him and the applicant is truly successful. It appears that the applicant qualifies for the loan, but the lender is really edgy because of this potential communication difficulty. What steps should the bank take to make sure that the applicant is well informed of exactly what he is applying for, and the terms and conditions that will be in place should the loan be approved?
4. An 80 year old applicant wants to refinance his current mortgage for 30 years. He tells you that the reason he is doing this is to make sure his 43 year old spouse is taken care of after his death. The spouse does not work and has no source of income except for the applicant's income. On top of all this, the applicant and the spouse are both African-American. What do you do?
5. We have the ability to match competitor pricing. When the applicant comes into the bank, we just have to tell them that the bank down the street is offering the same loan at 50 basis points less than ours. We will give the rate. We know what others are charging so we will usually match the rates. My lending market is somewhat diverse with a lot of women, minority and single applicants. Is this practice ok?
6. Your bank is in a college town. Several students have come in to get small loans for books and other living supplies. The underwriting guidelines say that we will not make loans to students under 21 years old. We have denied a lot of loans. Is this practice ok?
7. A male with a large afro walks into the bank. He tells the CSR that he wants to apply for a loan even though the CSR never looked at him and never asked if she could help him. She is having a bad day and didn't really want to come to work. She rolls her eyes at the man and tells him that there isn't anyone there to help him. The man looks shocked, and he walks out of the bank. He later writes a complaint letter to the bank President and demands that he put the letter in the bank's CRA public file. Is this a valid request; what should the bank do if anything? Did the CSR do anything wrong?
8. While making a deposit, a customer chats with the frontline employee saying she and her husband will be shopping for mortgage rates soon as they want to purchase a home. After she leaves, the employee tells a lender about the conversation, and he runs a credit report on the customer and her husband. The customer quickly learns of the CR pull as there is a fraud alert in place.

The GSE Application and Regulation B Application Rules

Section 1: GSE Uniform Residential Loan Application (URLA) Basics and General Instructions

The GSEs Interactive Uniform Loan Application

Freddie Mac and Fannie Mae (the GSEs) published the interactive (fillable) PDF versions of the redesigned Uniform Residential Loan Application (URLA) with a mandatory implementation date of **March 1, 2021**.

The interactive components of the redesigned URLA (Freddie Mac Form 65 / Fannie Mae Form 1003) include:

1. Borrower Information (9 pages)
2. Additional Borrower Information (4 pages)
3. Unmarried Addendum (1 page)
4. Lender Loan Information (2 pages)
5. Continuation Sheet (1 page)

Each of these interactive forms is presented below. The Instructions for Completing the URLA are also provided.

Uniform Residential Loan Application Sections

Section 1. Borrower Information. Collects your personal information, income and employment.

Section 2. Financial Information – Assets and Liabilities. Collects information about your financial assets, personal financial obligations and debts you owe.

Section 3. Financial Information – Real Estate. Collects information about property you own, and the debts and expenses related to the property.

Section 4. Loan and Property Information. Collects information about the loan purpose and the property you are buying or refinancing.

Section 5. Declarations. Asks specific questions about the property, how the property will be financed, and your past financial history.

Section 6. Acknowledgments and Agreements. Informs you of your legal obligations related to the mortgage application and asks that you acknowledge certain information will be obtained, used, and shared.

Section 7. Military Service. Collects information about your (or your deceased spouse's) military service.

Section 8. Demographic Information. Requests information the Lender is required by law to ask you.

Section 9. Loan Originator Information. Provides you with information about the loan originator.

Uniform Residential Loan Application - Additional Borrower Sections

Section 1. Borrower Information. Identical to section on the URLA.

Section 2. Financial Information – Assets and Liabilities. Contains only the following statement for the additional Borrower to complete: “My information for Section 2 is listed on the Uniform Residential Loan Application with (name of Borrower).” The name of the other borrower is entered here.

Section 3. Financial Information – Real Estate. Contains only the following statement for the additional Borrower to complete: “My information for Section 3 is listed on the Uniform Residential Loan Application with (name of Borrower).”

Section 4. Loan and Property Information. Contains only the following statement for the additional Borrower to complete: “My information for Section 4 is listed on the Uniform Residential Loan Application with (name of Borrower).”

Section 5. Declarations. Identical to section on the URLA.

Section 6. Acknowledgments and Agreements. Contains only the following statement for the additional Borrower to complete: “My signature for Section 6 is on the Uniform Residential Loan Application with (name of Borrower).”

Section 7. Military Service. Identical to section on the URLA.

Section 8. Demographic Information. Identical to section on the URLA.

Section 9. Loan Originator Information. Identical to section on the URLA.

Using the URLA and URLA - Additional Borrower Together

The URLA and the URLA–Additional Borrower are used together to collect information for two Borrowers who have joint assets, liabilities, and/or real estate information. The URLA and URLA-Additional Borrower can also be used for Borrowers who do not have joint information but wish to combine their information on the URLA for ease of use. The following are examples of how to use the URLA and URLA-Additional Borrower:

- One Borrower: Complete the URLA.
- Two Borrowers with joint financial information:
 - Complete the URLA plus the URLA-Additional Borrower. Report the assets, liabilities, and real estate for the additional Borrower on the URLA; OR
 - Complete a separate URLA for each Borrower.
 - Report joint assets, liabilities, and real estate on only one URLA; you do not need to duplicate them on more than one URLA; OR

- In cases where borrowers are not collaborating when completing the loan application, joint assets, liabilities, and real estate may be duplicated on each URLA
- Two Borrowers with separate financial information
 - Complete the URLA plus the URLA-Additional Borrower. Report the assets, liabilities, and real estate for the additional Borrower on the URLA; OR
 - Complete a separate URLA for each Borrower.
- Three or more Borrowers – Use any combination of URLA and URLA-Additional Borrower forms in accordance with the above examples.

General Instruction

This application is designed to allow for the transfer of information into other systems, including internal underwriting, various software for underwriting by a wide variety of mortgage buyers, and finally transfer into the loan documents themselves. Therefore, any typographical errors made during the application process may follow throughout the entire mortgage process, so accuracy is vital.

Section 2:

Regulation B - Rules Concerning Requests for Information 12 CFR §1002.5

General Rules – 12 CFR §1002.5(a)

Regulatory Discussion

The general rule regarding requests for information states a creditor may obtain any information in connection with a credit transaction; however, this section governs the types of information a creditor may gather.

Regulatory Text

(a) General rules

- (1) **Requests for information.** Except as provided in paragraphs (b) through (d) of this section, a creditor may request any information in connection with a credit transaction. This paragraph does not limit or abrogate any Federal or state law regarding privacy, privileged information, credit reporting limitations, or similar restrictions on obtainable information.

Regulatory Commentary

None.

Section 3:

Applicant Information Overview (Application Section 1)

To be completed by the **Lender**:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) _____

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____

Social Security Number _____
(or Individual Taxpayer Identification Number)

Date of Birth
(mm/dd/yyyy) _____

Citizenship

- ☐ U.S. Citizen
☐ Permanent Resident Alien
☐ Non-Permanent Resident Alien

Type of Credit

- ☐ I am applying for **individual credit**.
☐ I am applying for **joint credit**. Total Number of Borrowers: _____
Each Borrower intends to apply for joint credit. **Your initials:** _____

List Name(s) of Other Borrower(s) Applying for this Loan
(First, Middle, Last, Suffix) – Use a separator between names _____

Marital Status

- ☐ Married
☐ Separated
☐ Unmarried
(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents (not listed by another Borrower)

Number _____
Ages _____

Contact Information

Home Phone () _____ - _____
Cell Phone () _____ - _____
Work Phone () _____ - _____ **Ext.** _____
Email _____

Current Address

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Current Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

If at Current Address for LESS than 2 years, list Former Address ☐ **Does not apply**

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Former Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

Mailing Address – if different from Current Address ☐ **Does not apply**

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

1b. Current Employment/Self-Employment and Income

☐ **Does not apply**

Employer or Business Name _____

Phone () _____ - _____

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Position or Title _____

Start Date ____ / ____ / ____ (mm/dd/yyyy)

How long in this line of work? _____ Years _____ Months

Check if this statement applies:

- ☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ _____
☐ I have an ownership share of 25% or more. \$ _____

Gross Monthly Income

Base \$ _____ /month
Overtime \$ _____ /month
Bonus \$ _____ /month
Commission \$ _____ /month
Military Entitlements \$ _____ /month
Other \$ _____ /month
TOTAL \$ _____ **0.00/month**

Uniform Residential Loan Application
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Effective 9/2020

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income☐ Does not apply

Employer or Business Name _____ Phone (____) ____ - ____		Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ _____ 0.00 /month
Street _____ Unit # _____		
City _____ State _____ ZIP _____ Country _____		
Position or Title _____	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
Start Date ____ / ____ / ____ (mm/dd/yyyy)	How long in this line of work? ____ Years ____ Months	
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ _____ <input type="radio"/> I have an ownership share of 25% or more. \$ _____		

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income☐ Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name _____		Previous Gross Monthly Income \$ _____ /month
Street _____ Unit # _____		
City _____ State _____ ZIP _____ Country _____		
Position or Title _____	<input type="checkbox"/> Check if you were the Business Owner or Self-Employed	
Start Date ____ / ____ / ____ (mm/dd/yyyy)	End Date ____ / ____ / ____ (mm/dd/yyyy)	

1e. Income from Other Sources☐ Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- | | | | | | |
|------------------------|------------------------|-------------------------------|----------------------|------------------------|-------------------|
| • Alimony | • Child Support | • Interest and Dividends | • Notes Receivable | • Royalty Payments | • Unemployment |
| • Automobile Allowance | • Disability | • Mortgage Credit Certificate | • Public Assistance | • Separate Maintenance | • Benefits |
| • Boarder Income | • Foster Care | • Mortgage Differential | • Retirement | • Social Security | • VA Compensation |
| • Capital Gains | • Housing or Parsonage | Payments | (e.g., Pension, IRA) | • Trust | • Other |

NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

Borrower Name:

Uniform Residential Loan Application
 Freddie Mac Form 65 • Fannie Mae Form 1003
 Effective 9/2020

Top of Form

To be completed by the Lender:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

GSE and Y&A Instructions

The lender's Loan Number or ULI is inserted here. It is very possible that there will not be a loan number available at application. Your institution will instruct you how to complete this field.

A ULI is not required unless your institution is a HMDA reporter that must complete all HMDA fields. Your institution will instruct you how to complete this field.

Agency case number often will be blank, as it will seldom be available at application. This field will normally be completed at a later date, if at all.

Many banks ignore this portion of the form as not being relevant. Banks may make their own decision regarding completing this section.

Relevant Regulatory Issues

None.

Instructions for Completion

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

GSE and Y&A Instructions

No requirements for this portion of the form.

Relevant Regulatory Issues

None.

Section 4: Initial Applicant Information – Applicant 1 (Section 1a)

Initial Applicant Information – Applicant 1

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.	
1a. Personal Information	
Name (First, Middle, Last, Suffix)	Social Security Number – – (or Individual Taxpayer Identification Number)
Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)	Date of Birth (mm/dd/yyyy) ____/____/____
	Citizenship <input type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
Type of Credit <input type="radio"/> I am applying for individual credit. <input type="radio"/> I am applying for joint credit. Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit. Your initials: _____	List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) – Use a separator between names

GSE and Y&A Instructions – Section 1a.

Name

First, Middle, Last, Suffix. Make sure that you use the name that the first Applicant is going to use at loan closing, when they sign the note. Example: John A. Doe III. Many systems use information input in to the application to prepare final documents. Note that the application does not request Mr., Mrs., Ms. Or any similar designation.

Alternate Name

Any other names used. For example, John A. Doe III might use Jack.

Social Security Number/ITIN

Complete the nine digits. Assuming the customer has neither, the agencies did not offer any information. Not having any tax ID may well disqualify the loan, as CIP cannot be completed, credit reports are problematic, etc.

Date of Birth

MM/DD/YYYY

Citizenship

Complete the correct choice from the list provided.

I am applying for Individual Credit

Select if there is only one applicant for this application.

I am applying for Joint Credit

Select if there are two or more applicants applying for the mortgage loan. Assure that the applicant initials where indicated. The regulation states that this should happen at application. In the real world, it may happen at a later date.

Total Number of Borrowers

Enter the number of applicants completing application(s) for this transaction (and signing the note if the loan is approved and closed).

List Name(s) of Other Borrowers Applying for this Loan

Note that the full name is required, just as it appears on the other applicant's portion of the application. There may be multiple names on this part of the application, if there are more than two applicants.

Relevant Regulatory Issues

Limitations on Information – 12 CFR §1002.5(b)(2)

Regulatory Discussion

Except as otherwise permitted, a creditor is generally prohibited from collecting information with respect to sex of an applicant or any other person associated with a credit transaction.

Regulatory Text

- (b) **Limitation on information about race, color, religion, national origin, or sex.** A creditor shall not inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction, except as provided in paragraphs (b)(1) and (b)(2) of this section.

- (2) **Sex.** An applicant may be requested to designate a title on an application form (such as Ms., Miss, Mr., or Mrs.) if the form discloses that the designation of a title is optional. An application form shall otherwise use only terms that are neutral as to sex.

Regulatory Commentary

None.

Permanent Residency and Immigration Status – 12 CFR §1002.5(e)

Regulatory Discussion

There is no prohibition against a creditor from inquiring about an applicant's, or any other person associated with a credit transaction, permanent residency or immigration status. This can be important information to consider, for example, in the event of default.

A creditor is not allowed to refuse to grant credit because an applicant comes from a particular country, but may take the applicant's immigration status into account. A creditor may also take into account any applicable law, regulation, or executive order that restricts dealings with citizens (or the government) of a particular country or that imposes limitations on extensions of credit to them.

Regulatory Text

(e) **Permanent residency and immigration status.** A creditor may inquire about the permanent residency and immigration status of an applicant or any other person in connection with a credit transaction.

Regulatory Commentary

None.

Signature of Spouse or Other Person (Qualified Applicant) – 12 CFR § 1002.7(d)(1)

Regulatory Discussion

The first component of the fourth rule, paragraph (d)(1), "rule for qualified applicant," generally prohibits a creditor from requiring the signature of an applicant's spouse (or other person) on any credit instrument if the applicant qualifies for the amount and terms of credit requested.

- **Exception:** a creditor may require the signature of a joint applicant on any credit instrument.
- **Note:** the submission of a joint financial statement (or other evidence of jointly held assets) does not constitute an application for joint credit.

This signature rule assures that qualified applicants are able to obtain credit in their own names. Thus, when an applicant requests individual credit, a creditor generally may not require the signature of another person unless it has first been determined that the applicant alone does not qualify for the credit requested.

When an applicant applies for individual credit but does not alone meet a creditor's standards, a cosigner, guarantor, or the like may be required, but a creditor cannot require that it be the spouse or any other specific person.

The commentary provides additional information on three important topics: prohibition to require a cosigner; meaning of "joint applicant," and evidence of joint application.

Regulatory Text

(d) Signature of spouse or other person

- (1) **Rule for qualified applicant.** Except as provided in this paragraph, a creditor shall not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under the creditor's standards of creditworthiness for the amount and terms of the credit requested. A creditor shall not deem the submission of a joint financial statement or other evidence of jointly held assets as an application for joint credit.

Regulatory Commentary

Paragraph 7(d)(1).

1. ***Signature of another person.*** *It is impermissible for a creditor to require an applicant who is individually creditworthy to provide a cosigner—even if the creditor applies the requirement without regard to sex, marital status, or any other prohibited basis. (But see comment 7(d)(6)-1 concerning guarantors of closely held corporations.)*
2. ***Joint applicant.*** *The term "joint applicant" refers to someone who applies contemporaneously with the applicant for shared or joint credit. It does not refer to someone whose signature is required by the creditor as a condition for granting the credit requested.*
3. ***Evidence of joint application.*** *A person's intent to be a joint applicant must be evidenced at the time of application. Signatures on a promissory note may not be used to show intent to apply for joint credit. On the other hand, signatures or initials on a credit application affirming applicants' intent to apply for joint credit may be used to establish intent to apply for joint credit. (See appendix B.) The method used to establish intent must be distinct from the means used by individuals to affirm the accuracy of information. For example, signatures on a joint financial statement affirming the veracity of information are not sufficient to establish intent to apply for joint credit.*

Pitfalls

1. An applicant refuses to answer questions regarding citizenship. She speaks with an accent. What is the appropriate reaction?

2. One spouse comes in to apply for a mortgage loan. They indicate that the other spouse travels for a living, and will not be back for three weeks, making “joint intent” a challenge, not to mention getting permission to run a credit report. What is the appropriate response?

Section 5:

Marital Status, Dependents, Contact Information – Applicant 1 (Section 1a)

Marital Status, Dependents, Contact Information – Applicant 1

Marital Status <input type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried <small>(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)</small>	Dependents <i>(not listed by another Borrower)</i> Number _____ Ages _____	Contact Information Home Phone () - - Cell Phone () - - Work Phone () - - Ext. _____ Email _____
---	---	--

GSE and Y&A Instructions – 1a.

Marital Status

Indicate the marital status. Note that unmarried includes a multitude of different situations.

Dependents

Enter based on the definition of “**Dependents**” applicable for your loan (the definition may be different for FHA, VA, USDA-RD, and Conventional loans). If you are unsure, ask your institution to clarify. Include the number and their ages.

Contact Information

Complete this section based on what information is available. If any items are not applicable, leave them blank.

Relevant Regulatory Issues

Other Limitations on Information Requests (Marital Status) – 12 CFR §1002.5(d)(1)

Regulatory Discussion

Except as permitted in §1002.5(a)(1) through (3), a creditor is generally prohibited from collecting information with respect to the applicant’s marital status. There are two exceptions:

- If an applicant applies for individual unsecured credit, a creditor may inquire about the

applicant's marital status if the applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested.

- If an application is for other than individual unsecured credit, a creditor may inquire about the applicant's marital status, using only the terms *married*, *unmarried*, and *separated*.

The commentary provides guidance on the indirect disclosure of prohibited information.

Regulatory Text

(d) Other limitations on information requests

- (1) **Marital status.** If an applicant applies for individual unsecured credit, a creditor shall not inquire about the applicant's marital status unless the applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested. If an application is for other than individual unsecured credit, a creditor may inquire about the applicant's marital status, but shall use only the terms *married*, *unmarried*, and *separated*. A creditor may explain that the category *unmarried* includes single, divorced, and widowed persons.

Regulatory Commentary

5(d) Other limitations on information requests.

Paragraph 5(d)(1).

1. ***Indirect disclosure of prohibited information.*** *The fact that certain credit-related information may indirectly disclose marital status does not bar a creditor from seeking such information. For example, the creditor may ask about:*
 - i. The applicant's obligation to pay alimony, child support, or separate maintenance income.*
 - ii. The source of income to be used as the basis for repaying the credit requested, which could disclose that it is the income of a spouse.*
 - iii. Whether any obligation disclosed by the applicant has a co-obligor, which could disclose that the co-obligor is a spouse or former spouse.*
 - iv. The ownership of assets, which could disclose the interest of a spouse.*

Other Limitations on Information Requests (Childbearing, Childrearing) – 12 CFR §1002.5(d)(3)

Regulatory Discussion

Except as permitted in §1002.5(a)(1) through (3), a creditor is generally prohibited from collecting information with respect to childbearing and/or childrearing practices, intentions and capabilities. There is one exception:

- A creditor may inquire about the number and ages of an applicant's dependents to determine dependent-related financial obligations or expenditures that may affect creditworthiness.

Regulatory Text

(d) Other limitations on information requests

- (3) **Childbearing, childrearing.** A creditor shall not inquire about birth control practices, intentions concerning the bearing or rearing of children, or capability to bear children. A creditor may inquire about the number and ages of an applicant's dependents or about dependent-related financial obligations or expenditures, provided such information is requested without regard to sex, marital status, or any other prohibited basis.

Regulatory Commentary

None.

Pitfalls

1. Father and son come in for the son to apply for a loan to purchase his first car. Son does not qualify for the loan due to a lack of a credit history. Can the bank require the father to be a co-applicant on the loan?
2. An un-married couple wants to apply for a mortgage loan to purchase a primary residence since they are tired of renting from their parents. Only one of the applicants is present to complete the application. Can the loan officer pull a credit bureau report for the applicant who is not present?
3. The applicant owns real estate in a state where a spousal signature is required for any mortgage to be valid. The applicant indicates that he and his same sex spouse are separated. Can the lender discuss the fact that both parties will need to sign the mortgage, and avoid wasting additional time processing a mortgage that may/will never close?

Section 6: Address Information – Applicant 1 (Section 1a)

Address Information – Applicant 1

Current Address			
Street _____	_____	_____	Unit # _____
City _____	State _____	ZIP _____	Country _____
How Long at Current Address? ____ Years ____ Months	Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)		
If at Current Address for LESS than 2 years, list Former Address <input type="checkbox"/> Does not apply			
Street _____	_____	_____	Unit # _____
City _____	State _____	ZIP _____	Country _____
How Long at Former Address? ____ Years ____ Months	Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)		
Mailing Address – if different from Current Address <input type="checkbox"/> Does not apply			
Street _____	_____	_____	Unit # _____
City _____	State _____	ZIP _____	Country _____

GSE and Y&A Instructions – Section 1a.

Current Address

Complete all fields. If the street address includes a unit number, enter it in the “**Unit #**” field. Enter the country or province for non-United States addresses only.

How Long at the Current Address

Complete the years and months.

Housing

Complete the appropriate information. For No Primary Housing Expense, select if the applicant is not obligated to pay rent OR does not own the home and is living with relatives and is under no obligation to pay monthly rent. Do not select if the applicant owns the home and there are no mortgage liens or home equity loans on the property. In this case, select “**Own.**”

Former Address

If the applicant has lived at the current address (see above) for at least two years, select “**Does not apply.**” If the applicant has not lived at the current address for at least two years, complete all the relevant information, using the instructions above.

Mailing Address

If there is no separate mailing address, select **“Does not apply.”** If there is a separate mailing address, such as a Post Office Box, complete all relevant information.

Relevant Regulatory Issues

None.

Section 7: Employment and Other Income Information – Applicant 1 (Section 1b – 1e)

Employment Information – Applicant 1

1b. Current Employment/Self-Employment and Income				<input type="checkbox"/> Does not apply
Employer or Business Name _____		Phone (____) ____ - ____		Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ 0.00/month
Street _____		Unit # _____		
City _____		State _____ ZIP _____		
Country _____				
Position or Title _____		Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.		
Start Date ____ / ____ / ____ (mm/dd/yyyy)		How long in this line of work? ____ Years ____ Months		
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed		<input type="radio"/> I have an ownership share of less than 25%. <input type="radio"/> I have an ownership share of 25% or more.		Monthly Income (or Loss) \$ _____

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GSE and Y&A Instructions – Section 1b.

General Instruction

Complete this section for each job, self-employment, or business the applicant owns from which the applicant receives income, and that the applicant would like considered in qualifying for this loan.

Does not apply

Mark this box and skip to Section 1d, Previous Employment/Self-Employment and Income if the applicant does not have a job AND is not self-employed AND does not own a business.

Employer or Business Name

Enter the name of the applicant's employer, OR enter the name of the business that the applicant owns, OR the applicant's name if the applicant is self-employed and do not operate under a business name.

Employer Address

Complete all relevant fields. If there is a "Unit #," complete the field. If not, leave blank.

Complete **“Country”** only if the address is not in the United States.

Phone

Enter the main phone number of the applicant’s employer. Do not enter the applicant’s personal work phone number here because it was reported under Contact Information in Section 1a.

Position or Title

Complete the field with as much specificity as possible.

Start Date

MM/DD/YYYY. A previous version of the application did not include DD, but the final version does require it if available.

How long in this line of work

Enter the number of years and number of months.

Gross Monthly Income Section

Enter all income the applicant receives from this employer each month, filling in the applicable line items and TOTAL. Do not enter income here if the applicant is self-employed or owns a business; instead enter that income in Monthly Income (or Loss).

Gross Monthly Income - Military Entitlements

Enter the sum of Military Entitlements the applicant receives for Active, Reserve, or National Guard duty, excluding Base pay [for example, Basic Allowance for Subsistence (BAS), Basic Allowance for Housing (BAH), and other military entitlements shown on the Leave and Earnings Statement (LES)]. Enter Military Base pay in Base. Remember, if the applicant is on active duty at this time, SCRA does not apply.

Gross Monthly Income – Other

Enter other monthly income the applicant receives from this job that is not otherwise specified in the line items above. (This entry is not common.) Enter non-employment income in Section 1e. Income from Other Sources.

Check if this statement applies

If the applicant works for a family business, check this box.

Business Owner or Self-Employed – Ownership Share

Check the box and select the percentage of the business you own.

Business Owner or Self-Employed – Monthly Income (or Loss)

Enter the amount of income (or loss) earned from self-employment or the business the applicant owns. Enter a loss as a negative number using the following format: “-2,000”. You may assist the applicant in calculating this income.

Relevant Regulatory Issues

None.

Additional Employment Information – Applicant 1

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income				<input type="checkbox"/> Does not apply
Employer or Business Name _____		Phone (____) ____ - ____		Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ 0.00 /month
Street _____		Unit # _____		
City _____	State _____	ZIP _____	Country _____	
Position or Title _____		Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.		
Start Date ____ / ____ / ____ (mm/dd/yyyy) How long in this line of work? ____ Years ____ Months		<input type="checkbox"/> Check if you are the Business Owner or Self-Employed		
		<input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) <input type="radio"/> I have an ownership share of 25% or more. \$ _____		

GSE and Y&A Instructions – Section 1c.***Does not apply***

Mark this box and skip to Section 1d. Previous Employment/Self-Employment and Income if the applicant does not have more than one job, self-owned business, or self-employment.

General Instruction

Complete this section only if the applicant has income from more than one job, self-owned business, or self-employment. Repeat this section for each job, self-owned business, or self-employment that the applicant would like considered for this application. Complete this section using the same instructions that appear above in 1b.

Relevant Regulatory Issues

None.

Previous Employment Information – Applicant 1

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income		<input type="checkbox"/> <i>Does not apply</i>
Provide at least 2 years of current and previous employment and income.		
Employer or Business Name _____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		Previous Gross Monthly Income \$ _____ /month
Position or Title _____ Start Date ____/____/____ (mm/dd/yyyy) End Date ____/____/____ (mm/dd/yyyy)		
<input type="checkbox"/> Check if you were the Business Owner or Self-Employed		

GSE and Y&A Instructions – Section 1d.

Does not apply

Mark this box and skip to Section 1e. Income from Other Sources if the applicant has earned income from a job, self-employment, or self-owned business for the past 2 or more years, or if the applicant does not have any previous jobs or self-employment.

General Instructions

Complete this section if you have received income from your current job(s) or self-employment(s) for less than two years and describe any periods of unemployment (for example, you were a student or homemaker).

Relevant Regulatory Issues

None.

Other Sources Income Information – Applicant 1

1e. Income from Other Sources <input type="checkbox"/> Does not apply	
Include income from other sources below. Under Income Source, choose from the sources listed here:	
<ul style="list-style-type: none"> • Alimony • Automobile Allowance • Boarder Income • Capital Gains 	<ul style="list-style-type: none"> • Child Support • Disability • Foster Care • Housing or Parsonage Payments
<ul style="list-style-type: none"> • Interest and Dividends • Mortgage Credit Certificate • Mortgage Differential Payments 	<ul style="list-style-type: none"> • Notes Receivable • Public Assistance • Retirement (e.g., Pension, IRA) • Royalty Payments • Separate Maintenance • Social Security • Trust
<ul style="list-style-type: none"> • Unemployment Benefits • VA Compensation • Other 	
NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.	
Income Source – use list above	Monthly Income
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

GSE and Y&A Instructions – Section 1e.

Does not apply

Mark this box and skip to Section 2a. Assets - Bank Accounts, Retirement, and Other Accounts You Have if the applicant does not receive income from any other sources.

Income Source Lines

There are three lines available. It is important to use the exact income sources from the list of choices at the beginning of this section. Note that income from alimony, child support, and separate maintenance are at the discretion of the applicant, as required by Regulation B. Otherwise, enter income that the applicant receives from sources other than current employment or self-employment that the applicant would like considered in qualifying for the loan. If the source of income is not listed, there is an “Other” category at the end of the list.

Relevant Regulatory Issues

Other Limitations on Information Requests (Alimony, Child Support, Separate Maintenance) – 12 CFR §1002.5(d)(2)

Regulatory Discussion

Except as permitted by other sections of the regulation, a creditor is generally prohibited from collecting information with respect to income derived from alimony, child support, or separate maintenance payments, unless the creditor discloses that such income need not be provided if the applicant does not want that income considered in determining creditworthiness.

The commentary provides guidance on appropriate methods to inquire about sources of income.

Regulatory Text

(d) Other limitations on information requests

(2) Disclosure about income from alimony, child support, or separate maintenance.

A creditor shall not inquire whether income stated in an application is derived from alimony, child support, or separate maintenance payments unless the creditor discloses to the applicant that such income need not be revealed if the applicant does not want the creditor to consider it in determining the applicant's creditworthiness.

Regulatory Commentary

5(d) Other limitations on information requests.

Paragraph 5(d)(2).

- 1. Disclosure about income.*** *The sample application forms in appendix B to the regulation illustrate how a creditor may inform an applicant of the right not to disclose alimony, child support, or separate maintenance income.*
- 2. General inquiry about source of income.*** *Since a general inquiry about the source of income may lead an applicant to disclose alimony, child support, or separate maintenance income, a creditor making such an inquiry on an application form should preface the request with the disclosure required by this paragraph.*
- 3. Specific inquiry about sources of income.*** *A creditor need not give the disclosure if the inquiry about income is specific and worded in a way that is unlikely to lead the applicant to disclose the fact that income is derived from alimony, child support, or separate maintenance payments. For example, an application form that asks about specific types of income such as salary, wages, or investment income need not include the disclosure.*

Pitfalls

1. An unmarried applicant is receiving substantial support from another individual. It is NOT child support, alimony, or any similar type of support. What questions can be asked regarding this income. According to the application, the income provided in this “arrangement” is 40% of the applicant’s total income.

Section 8:

Applicant – Assets and Liabilities (Application Section 2)

Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement (e.g., 401k, IRA)
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance (used for the transaction)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
			\$
			\$
			\$
			\$
			\$
Provide TOTAL Amount Here			\$ 0.00

2b. Other Assets and Credits You Have

☐ Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

- Assets**
 - Proceeds from Real Estate Property to be sold on or before closing
 - Proceeds from Sale of Non-Real Estate Asset
 - Secured Borrowed Funds
- Credits**
 - Earnest Money
 - Employer Assistance
 - Lot Equity
 - Unsecured Borrowed Funds
 - Other
 - Relocation Funds
 - Rent Credit
 - Sweat Equity
 - Trade Equity

Asset or Credit Type – use list above	Cash or Market Value
	\$
	\$
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe

☐ Does not apply

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:

- Revolving (e.g., credit cards)
- Installment (e.g., car, student, personal loans)
- Open 30-Day (balance paid monthly)
- Lease (not real estate)
- Other

Account Type – use list above	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$

2d. Other Liabilities and Expenses

☐ Does not apply

Include all other liabilities and expenses below. Choose from the types listed here:

- Alimony
- Child Support
- Separate Maintenance
- Job Related Expenses
- Other

	Monthly Payment
	\$
	\$
	\$

Borrower Name:

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“Cash” Assets – Applicant 1

Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement (e.g., 401k, IRA)
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance (used for the transaction)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
			\$
			\$
			\$
			\$
			\$
Provide TOTAL Amount Here			\$ 0.00

GSE and Y&A Instructions – Section 2a.

General Instruction

Enter information about each of the applicant’s asset accounts, including the current value of each account. Use the list provided to complete the “Account Type” column. Also complete the Financial Institution, Account Number, and Cash or Market Value columns.

Gifts and Grants

If the applicant has received a gift or grant, and has deposited it in an account, include it in the Cash or Market Value amount for that account. Itemize each gift or grant (even if not yet deposited) in Section 4d. Gifts or Grants You May Have Been Given or Will Receive for this Loan.

Relevant Regulatory Issues

None.

“Other” Assets – Applicant 1

2b. Other Assets and Credits You Have <input type="checkbox"/> Does not apply	
Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:	
Assets • Proceeds from Real Estate Property to be sold on or before closing • Proceeds from Sale of Non-Real Estate Asset • Secured Borrowed Funds • Unsecured Borrowed Funds • Other	Credits • Earnest Money • Employer Assistance • Lot Equity • Relocation Funds • Rent Credit • Sweat Equity • Trade Equity
Asset or Credit Type – use list above	Cash or Market Value
	\$
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

GSE and Y&A Instructions – Section 2b.

General Instructions

Enter other assets not included in the accounts listed in Section 2a that the applicant would like considered in qualifying for the loan. (Note that gifts are not entered in this section but in Section 4d.) You must use the list provided above to complete the **“Assets or other Credit Type”** column.

Does not apply

Mark this box if it applies and skip to Section 2c. Liabilities-Credit Cards, Other Debts, and Leases that You Owe if the applicant does not have any other assets or credits.

Credits you will receive toward the property purchase

The information below assists you in the completion of this portion of the application.

Earnest Money

Enter this Credit Type and the Cash Value of the deposit submitted with a purchase offer to show that the applicant’s offer is being made in good faith. Do not enter this credit if the amount of the earnest money is included in an asset account in 2a (for example, in the checking account from which the earnest money check will be drafted).

Employer Assistance

Enter this Credit Type and the Cash Value of funds provided by an employer for the transaction. Do not enter this credit if the funds are already included in a depository account in 2a or entered as a relocation credit, a grant, or a subordinate lien on this transaction.

Lot Equity

Enter this Credit Type and the Market Value of the net equity in the lot (market value less

any outstanding liens) for certain unique transactions. Generally, applies when the applicant holds title to the land on which a manufactured home will be permanently attached.

Relocation Funds

Enter this Credit Type and the Cash Value of funds provided by an employer as part of a relocation package. Do not enter this credit if the funds are already included in a depository account in 2a or entered as an employer assistance credit, a grant, or a subordinate lien on this transaction.

Rent Credit

Enter this Credit Type and the Market Value based on the portion of rental payments credited towards this transaction under a documented rental/purchase agreement.

Sweat Equity

Enter this Credit Type and the Cash or Market Value of materials provided for, or labor performed on the property, by the applicant or on the applicant's behalf, before closing.

Trade Equity

Enter this Credit Type and the Market Value of equity assigned to the applicant if the applicant will trade property with the seller as part of this transaction.

Relevant Regulatory Issues

None.

Liabilities (Debts) – Applicant 1

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe			<input type="checkbox"/> Does not apply		
List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here: • Revolving (e.g., credit cards) • Installment (e.g., car, student, personal loans) • Open 30-Day (balance paid monthly) • Lease (not real estate) • Other					
Account Type – use list above	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$

GSE and Y&A Instructions – Section 2c.***Does not apply***

Mark this box and skip to Section 2d. Other Liabilities and Expenses if the applicant does not have any personal debt.

Debts

Enter the details of all personal debt that the applicant now owes or will owe before this mortgage loan closes, including debts not listed on the applicant's credit report, debts with payments that are currently deferred, and personal debts that will be paid off at or before closing, even if they will be paid off by this mortgage loan. Do not include household expenses for phones, utilities, or insurance unless your institution requires this information.

Relevant Regulatory Issues

None.

Other Liabilities – Applicant 1

2d. Other Liabilities and Expenses <input type="checkbox"/> Does not apply	
Include all other liabilities and expenses below. Choose from the types listed here:	
• Alimony • Child Support • Separate Maintenance • Job Related Expenses • Other	Monthly Payment
	\$
	\$
	\$

GSE and Y&A Instructions – Section 2d.***Does not apply***

Mark this box and skip to Section 3a. Property You Own if the applicant does not have any other liabilities or expenses.

General Instructions

This section is explicitly for other obligations, such as child support. Choose and list the category of expense using the items listed above. Job-related expenses are based on what you as an institution might require.

Relevant Regulatory Issues

Limitations on Information (Spouse or Former Spouse) – 12 CFR §1002.5(c)

Regulatory Discussion

Except as permitted in §1002.5(a)(1) through (3), a creditor is generally prohibited from collecting information concerning the applicant's spouse or former spouse. There are two exceptions:

- There are five circumstances, listed under permissible inquiries, whereby the creditor may request information concerning the applicant's spouse or former spouse.
 - Note: under paragraph (2)(iv), "community property states" include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. Alaska is an opt-in community property state that gives both parties the option to make their property community property.
- As provided under other accounts of the applicant, a creditor may request information on other accounts on which the applicant is "contractually liable" including the name address in whose name the account is held; as well as the names in which the applicant has previously received credit.

Regulatory Text

(c) Information about a spouse or former spouse

- (1) **General rule.** Except as permitted in this paragraph, a creditor may not request any information concerning the spouse or former spouse of an applicant.
- (2) **Permissible inquiries.** A creditor may request any information concerning an applicant's spouse (or former spouse under paragraph (c)(2)(v) of this section) that may be requested about the applicant if:
 - (i) The spouse will be permitted to use the account;
 - (ii) The spouse will be contractually liable on the account;
 - (iii) The applicant is relying on the spouse's income as a basis for repayment of the credit requested;
 - (iv) The applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested; or
 - (v) The applicant is relying on alimony, child support, or separate maintenance payments from a spouse or former spouse as a basis for repayment of the credit requested.
- (3) **Other accounts of the applicant.** A creditor may request that an applicant list any account on which the applicant is contractually liable and to provide the name and address of the person in whose name the account is held. A creditor may also ask an applicant to list the names in which the applicant has previously received credit.

Regulatory Commentary

None.

Pitfalls

1. An applicant has no debt except for \$100,000 in student loans. They have a degree, but they are not working in a job that “matches up” with that degree. With this new loan, it would appear that the DTI is going to be slightly over the bank’s maximum DTI. Additionally, the residual income calculation indicates that the applicant cannot have many “financial bumps” or they will not be able to pay. Is this a denial at this point, or do you continue to process that application?

Section 9: Applicant – Real Estate (Application Section 3)

Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. ☐ *I do not own any real estate*

3a. Property You Own If you are refinancing, list the property you are refinancing FIRST.

Address		Street	State	ZIP	Unit #	Country
		City				
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property		
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income	
\$			\$	\$	\$	
Mortgage Loans on this Property <input type="checkbox"/> Does not apply						
Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

3b. IF APPLICABLE, Complete Information for Additional Property ☐ Does not apply

Address		Street	State	ZIP	Unit #	Country
		City				
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property		
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income	
\$			\$	\$	\$	
Mortgage Loans on this Property <input type="checkbox"/> Does not apply						
Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

3c. IF APPLICABLE, Complete Information for Additional Property ☐ Does not apply

Address		Street	State	ZIP	Unit #	Country
		City				
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property		
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income	
\$			\$	\$	\$	
Mortgage Loans on this Property <input type="checkbox"/> Does not apply						
Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

Borrower Name:
Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

Property you Own - Applicant 1

Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. ☐ *I do not own any real estate*

3a. Property You Own If you are refinancing, list the property you are refinancing **FIRST**.

Address		Street	City	State	ZIP	Unit #	Country
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property			
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income		
\$			\$	\$	\$	\$	

Mortgage Loans on this Property ☐ *Does not apply*

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

GSE and Y&A Instructions – Section 3a.

I do not own any real estate

Mark this box if applicable and skip to Section 4a. Loan and Property Information are not required if the applicant does not own real property and is not obligated on a mortgage.

General Instructions

If the application is a refinance, list the property being refinanced in this section. If the application is for a purchase, the property is not listed here, as the applicant does not yet own it.

Enter the details about each property (including undeveloped land) the applicant owns and/or for which the applicant is obligated on a mortgage. Enter timeshares only if the applicant are a titled owner of the property. Enter the associated mortgage(s) details for each property if the applicant is obligated on a mortgage, no matter what the applicant's relationship is to the property – whether the applicant owns the property individually, jointly with someone else, or is not on the title to the property.

Property Value

Provide an estimate of the current property value from the applicant, loan originator, appraisal, or a valid property valuation source.

Status

Enter Sold if the applicant recently sold the property. Enter Pending Sale if the property is currently under contract for sale. Enter Retained if:

- The applicant will continue to own the property after this mortgage loan closes (for example, if the property is a vacation home or investment property that is not the subject of the mortgage loan),
- the subject loan is a refinance, or
- the property is currently listed for sale but is not under contract yet.

Intended Occupancy

If the applicant will continue to own the property after closing, provide its intended use, as follows:

- Enter **“Investment”** if neither the applicant nor any other Applicant on the subject transaction intends to occupy the property.
- Enter **“Primary Residence”** if
 - The applicant intends to occupy the property as the applicant’s primary residence, OR
 - the mortgage loan meets the requirements for Primary Residence eligibility.
- Enter **“Second Home”** if the applicant or any Applicant intend to occupy the property but not as your primary residence (for example, as a vacation home).
- Enter **“Other”** if none of the other intended uses apply (for example, if the property is undeveloped land) or if the applicant intends to occupy the property but does not know how they intend to occupy the property.

Monthly Insurance, Taxes, Association Dues, etc.

Enter the sum of any of these expenses that are not included in the amount entered for Monthly Mortgage Payment under Mortgage Loans on this Property. Association dues (condo, PUD, co-op fees, or special assessments) are not generally included in a monthly mortgage payment and therefore should be entered here.

Monthly Rental Income

If owned Retained property is a 2-4 unit primary residence or an investment property, enter the gross monthly rental income the applicant receives from the property.

Net Monthly Rental Income: This amount is calculated by the Lender

Net Monthly Rental Income for qualification purposes for a 2-4 unit primary residence or an investment Retained property is the criteria.

Mortgage Loans on this Property

Select **“Does not apply”** and skip to Section 4a. Loan and Property Information if the applicant is not obligated on a mortgage for this property.

Account Number

Enter the last four digits of the account number unless your institution requires more information.

Monthly Mortgage Payment

Enter the mortgage payment amount. Include the cost of insurance and taxes in this amount if you did not enter them separately under Monthly Insurance, Taxes, Association Dues, etc.

Unpaid Balance To be paid off at or before closing

Enter the balance due on the mortgage loan. Obtain this amount from the applicant's credit report or other document, such as a mortgage statement

To be paid off at or before closing

Mark this for any mortgage loans that will be paid off at or before closing.

Type

There are several choices here, and the applicant may or may not know the answer. Complete this field using the best information available.

Credit Limit

If the mortgage is a HELOC, enter the maximum amount that the applicant is permitted to borrow.

Relevant Regulatory Issues

None.

Additional Property you Own - Applicant 1

3b. IF APPLICABLE, Complete Information for Additional Property <input type="checkbox"/> Does not apply					
Address		Street	State	ZIP	Unit #
		City			Country
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$
Mortgage Loans on this Property <input type="checkbox"/> Does not apply					
Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other
		\$	\$	<input type="checkbox"/>	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>	

3c. IF APPLICABLE, Complete Information for Additional Property <input type="checkbox"/> Does not apply					
Address		Street	State	ZIP	Unit #
		City			Country
Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$
Mortgage Loans on this Property <input type="checkbox"/> Does not apply					
Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other
		\$	\$	<input type="checkbox"/>	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>	

GSE and Y&A Instructions – Section 3b and 3c.

Does not apply

Mark this box and skip to Section 4a. Loan and Property Information if the applicant does not own more than one property.

General Instructions

Complete this section only if the applicant owns more than one property. Repeat this section for each property, as needed, following the instructions for 3a.

Relevant Regulatory Issues

None.

Section 10: Applicant – Loan Information (Application Section 4)

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$ _____ **Loan Purpose** ☐ Purchase ☐ Refinance ☐ Other (specify) _____

Property Address Street _____ Unit # _____
 City _____ State _____ ZIP _____ Country _____
 Number of Units _____ **Property Value** \$ _____

Occupancy ☐ Primary Residence ☐ Second Home ☐ Investment Property **FHA Secondary Residence** ☐

1. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop) ☐ NO ☐ YES

2. Manufactured Home. Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis) ☐ NO ☐ YES

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing

☐ Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____

4c. Rental Income on the Property You Want to Purchase

For Purchase Only ☐ Does not apply

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property	Amount
Expected Monthly Rental Income	\$ _____
For LENDER to calculate: Expected Net Monthly Rental Income	\$ _____

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan

☐ Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Community Nonprofit • Federal Agency • Relative • State Agency • Lender
- Employer • Local Agency • Religious Nonprofit • Unmarried Partner • Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$ _____
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$ _____

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 Effective 9/2020

Loan and Property Information (Collateral) – Part A

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information					
Loan Amount \$		Loan Purpose <input type="radio"/> Purchase <input type="radio"/> Refinance <input type="radio"/> Other (specify)			
Property Address		Street		Unit #	
City		State		ZIP	
Number of Units		Property Value \$		Country	
Occupancy		<input type="radio"/> Primary Residence <input type="radio"/> Second Home <input type="radio"/> Investment Property		FHA Secondary Residence <input type="checkbox"/>	
1. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop)				<input type="radio"/> NO <input type="radio"/> YES	
2. Manufactured Home. Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis)				<input type="radio"/> NO <input type="radio"/> YES	

GSE and Y&A Instructions – Section 4a.

Loan Amount

Enter the total loan amount the applicant is applying for.

Loan Purpose

- Select **“Purchase”** if the applicant is applying for a mortgage loan to buy the property; OR
- Select **“Refinance”** if the applicant already owns the property, even when there are no mortgages currently on the property (for example, if the applicant owns the property free and clear and intend to take out equity/cash); [Note: this is a different approach than either TRID or HMDA. Keep your definitions clear.] OR
- Select **“Other”** if the transaction is neither a purchase nor a refinance. Other loan purposes could be:
 - a temporary construction loan that is not intended to serve as permanent financing, OR
 - a new subordinate loan, the proceeds of which will not be used for a purchase or refinance transaction.
- Note: Sometimes this will be your judgment call.

Property Address

Enter the street address, unit number if applicable, City, State, Zip Code, and, if the property is not in the United States, enter the country.

Number of Units

Enter the number of residential units.

Property Value

Enter the current estimated value of the property. At loan closing, this is the property value used for loan qualification purposes, generally obtained from the appraisal report. At application, the lender's best guess.

Occupancy

Select **"Primary Residence"** if:

- at least one applicant applying for the loan intends to occupy the property as his or her primary residence, OR
- the mortgage loan meets the requirements for Primary Residence eligibility (for example, if the applicant is a parent/legal guardian providing housing for a disabled adult child or children, or the applicant is providing housing for the applicant's occupant parents that are unable to work or do not have sufficient income to qualify).

Select **"Second Home"** if the applicant or any Applicant intend to occupy the property but not as their primary residence (for example, as a vacation home).

Select **"Investment Property"** if all Applicants intend to own, but not occupy, the property.

FHA Secondary Residence

- In addition to completing the Occupancy field, select **"FHA Secondary Residence"** if the applicant is applying for an FHA loan that the applicant or any Applicant will occupy in addition to the primary residence, but for less than six months of the year. This option does not refer to a vacation home.

Mixed-Use Property

A Mixed-Use Property is a property that has a business use in addition to a residential use. Neither retail space within a multi-unit property, nor use of a room in the property as a home office are considered Mixed-Use Properties.

If one or more Applicants will occupy the property. Leave this blank if neither Yes or No applies.

- Select **"YES"** if the applicant will operate a business within the property (for example, a daycare facility).
- Select **"NO"** if the applicant will not operate a business within the property.

Manufactured Home

- Select **"YES"** if the dwelling was delivered to the property site on wheels and a permanent chassis.
- Otherwise, select **"NO."**

Note: A modular home is not considered a Manufactured Home.

Relevant Regulatory Issues

None.

Loan and Property Information (Liens) – Part B

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing			<input type="checkbox"/> Does not apply	
Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$	\$	\$
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$	\$	\$

GSE and Y&A Instructions – Section 4b.***Does not apply***

Mark this box if the applicant is applying for only one new mortgage loan.

General Instructions

Enter the creditor, lien type, and monthly payment details if the applicant is applying for more than one new mortgage loan to purchase or refinance this property (for example, the applicant is applying for a second mortgage at the same time as the first mortgage).

Loan Amount/Amount to be Drawn

Enter the loan amount if it is a closed-end loan (no additional funds can be drawn after closing), or enter the amount you will draw (borrow) from a line of credit at closing.

Credit Limit

Enter the maximum amount that you are permitted to borrow if the loan is a line of credit.

Relevant Regulatory Issues

None.

Loan and Property Information (Potential Rental Income) – Part C

4c. Rental Income on the Property You Want to Purchase		For Purchase Only	<input type="checkbox"/> Does not apply
Complete if the property is a 2-4 Unit Primary Residence or an Investment Property			Amount
Expected Monthly Rental Income			\$
For LENDER to calculate: Expected Net Monthly Rental Income			\$

GSE and Y&A Instructions – Section 4c.

Expected Monthly Rental Income

- Enter the estimated gross rental income (before expenses) you expect to receive on the property you are purchasing.
- Your Lender will calculate Expected Net Rental Income.
- Select does not apply if you are not purchasing property that will generate rental income.

Note: Rental income earned from properties you already own is entered in Section 3: Financial Information – Real Estate.

Relevant Regulatory Issues

None.

Loan and Property Information (Gifts and Grants) – Part D

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan		<input type="checkbox"/> Does not apply
Include all gifts and grants below. Under Source, choose from the sources listed here:		
• Community Nonprofit	• Federal Agency	• Relative
• Employer	• Local Agency	• Religious Nonprofit
		• State Agency
		• Unmarried Partner
		• Lender
		• Other
Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited	
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited	
		Cash or Market Value
		\$
		\$

GSE and Y&A Instructions – Section 4d.

Does not apply

Mark this box if the applicant has not been given and will not receive gifts or grants for this

loan. Individuals are sources of Cash Gifts and Gifts of Equity; entities are sources of Grants.

General Instructions

Enter the asset type and other information, if applicable.

Deposited/Not Deposited:

- Enter only for Cash Gift and Grant.
- Select **“Deposited”** if
 - you have received a cash gift or grant, AND
 - you have deposited it in your account(s), AND
 - it is included in the Cash or Market Value shown for the account in Section 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have.
- Do not select Deposited or Not Deposited for Gift of Equity.

Relevant Regulatory Issues

None.

Section 11: Declarations Page – Applicant 1 (Application Section 5)

Declaration Page – Applicant 1

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	<input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	<input type="radio"/> NO <input type="radio"/> YES
C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?	<input type="radio"/> NO <input type="radio"/> YES \$ _____
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?	<input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?	<input type="radio"/> NO <input type="radio"/> YES

5b. About Your Finances

F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	<input type="radio"/> NO <input type="radio"/> YES
G. Are there any outstanding judgments against you?	<input type="radio"/> NO <input type="radio"/> YES
H. Are you currently delinquent or in default on a Federal debt?	<input type="radio"/> NO <input type="radio"/> YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	<input type="radio"/> NO <input type="radio"/> YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	<input type="radio"/> NO <input type="radio"/> YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	<input type="radio"/> NO <input type="radio"/> YES
L. Have you had property foreclosed upon in the last 7 years?	<input type="radio"/> NO <input type="radio"/> YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13	<input type="radio"/> NO <input type="radio"/> YES

Borrower Name: _____
 Uniform Residential Loan Application
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 Effective 9/2020

Declarations about Property and Applicant Money – Applicant 1

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

<p>A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES _____ _____</p>
<p>B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p>C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?</p>	<p><input type="radio"/> NO <input type="radio"/> YES \$ _____</p>
<p>D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?</p>	<p><input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES</p>
<p>E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>

GSE and Y&A Instructions – Section 5a

General Instructions

Questions A and B are clear. See below for assistance with the remaining questions.

Question C

Is the applicant borrowing any money for this real estate transaction (e.g., money for closing costs or down payment) or obtaining any money from another party, such as the seller or realtor that the applicant has not disclosed on this loan application? This may include a rebate of realtor commission on or after closing or guaranteed cash payments from the seller.

Question D

Has the applicant or will the applicant be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? The applicant must disclose all applications for mortgage credit for another property made with another Lender or creditor during the mortgage process.

Question E

Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through property taxes (e.g., the Property Assessed Clean Energy program)? The applicant must disclose if there are or will be any energy liens on the property they are purchasing or refinancing that will be paid or will be repaid through property taxes. (This question is not asking about standard real estate property taxes or homeowners' association liens.)

Relevant Regulatory Issues

None.

Declarations about Applicant Finances – Applicant 1

5b. About Your Finances	
F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	<input type="radio"/> NO <input type="radio"/> YES
G. Are there any outstanding judgments against you?	<input type="radio"/> NO <input type="radio"/> YES
H. Are you currently delinquent or in default on a Federal debt?	<input type="radio"/> NO <input type="radio"/> YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	<input type="radio"/> NO <input type="radio"/> YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	<input type="radio"/> NO <input type="radio"/> YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	<input type="radio"/> NO <input type="radio"/> YES
L. Have you had property foreclosed upon in the last 7 years?	<input type="radio"/> NO <input type="radio"/> YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13	<input type="radio"/> NO <input type="radio"/> YES

GSE and Y&A Instructions – Section 5b.

General Instructions

Questions G and I are clear. See below for assistance with the remaining questions.

Question F

Is the applicant a co-signer or guarantor on any debt or loan that is not disclosed on this application? A co-signer is jointly liable on any debt or loan; a guarantor is only liable if the primary Applicant cannot pay.

Question H

Are you currently delinquent or in default on a Federal debt? The applicant must disclose if the applicant is delinquent or in default on any debt owed to the Federal government (for example, a Federally-backed student loan, FHA loan, USDA Rural Development loan, Veterans' Administration loan).

Question J

Has the applicant conveyed title to any property in lieu of foreclosure in the past 7 years? The applicant must disclose if a property for which the applicant was in title was conveyed through a deed in lieu of foreclosure in the past 7 years, even if the applicant was not responsible for

repayment of the mortgage loan.

Question M

Has the applicant declared bankruptcy within the past 7 years? List all applicable bankruptcy types, if applicable.

Relevant Regulatory Issues

None.

Section 12:

Acknowledgement for Both Applicants (Application Section 6)

Section 6: Acknowledgments and Agreements. This section tells you about your legal obligations when you sign this application.

Acknowledgments and Agreements

Definitions:

- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

I agree to, acknowledge, and represent the following:

(1) The Complete Information for this Application

- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
 - (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
 - (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq.*).

(2) The Property's Security

The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

(3) The Property's Appraisal, Value, and Condition

- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

(4) Electronic Records and Signatures

- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.

- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.

- I intend to sign and have signed this application either using my:

- (a) electronic signature; or
- (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.

- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

(5) Delinquency

- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

(6) Authorization for Use and Sharing of Information

By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:

- (a) process and underwrite my loan;
- (b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
- (c) inform credit and investment decisions by the Lender and Other Loan Participants;
- (d) perform audit, quality control, and legal compliance analysis and reviews;
- (e) perform analysis and modeling for risk assessments;
- (f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
- (g) other actions permissible under applicable law.

Borrower Signature _____ **Date (mm/dd/yyyy)** ____/____/____

Additional Borrower Signature _____ **Date (mm/dd/yyyy)** ____/____/____

Borrower Name:

Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Section 6.

Borrower Signature

Instructions to the applicant state: Read this entire section and acknowledge you have read it and agree with its terms by signing your name.

Additional Borrower Signature

Instructions to the additional applicant state: If the URLA is being used with the URLA-Additional Borrower, read this entire section and acknowledge you have read it and agree with its terms by signing your name.

Relevant Regulatory Issues

None.

Section 13: Military Service – Applicant 1 (Application Section 7)

Military Service – Applicant 1

Section 7: Military Service. This section asks questions about your (or your deceased spouse's) military service.

Military Service of Borrower

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ☐ NO ☐ YES

If YES, check all that apply:

- ☐ Currently serving on active duty with projected expiration date of service/tour ____ / ____ / ____ (mm/dd/yyyy)
- ☐ Currently retired, discharged, or separated from service
- ☐ Only period of service was as a non-activated member of the Reserve or National Guard
- ☐ Surviving spouse

GSE and Y&A Instructions – Section 7.

Military Service

Answer NO or YES. If the applicant answers yes, all the remaining questions must be answered, as applicable.

Relevant Regulatory Issues

None.

Demographic Information Government Monitoring Information

Section 1: Demographic Information – Applicant 1 (Application Section 8)

GMI – Applicant 1

Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: Check one or more

- ☐ Hispanic or Latino
☐ Mexican ☐ Puerto Rican ☐ Cuban
☐ Other Hispanic or Latino – *Print origin:*

For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- ☐ Not Hispanic or Latino
☐ I do not wish to provide this information

Sex

- ☐ Female
☐ Male
☐ I do not wish to provide this information

Race: Check one or more

- ☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe:*

- ☐ Asian
☐ Asian Indian ☐ Chinese ☐ Filipino
☐ Japanese ☐ Korean ☐ Vietnamese
☐ Other Asian – *Print race:*

For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- ☐ Black or African American
☐ Native Hawaiian or Other Pacific Islander
☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
☐ Other Pacific Islander – *Print race:*

For example: Fijian, Tongan, and so on.

- ☐ White
☐ I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
 Was the sex of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
 Was the race of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES

The Demographic Information was provided through:

- ☐ Face-to-Face Interview (includes Electronic Media w/Video Component) ☐ Telephone Interview ☐ Fax or Mail ☐ Email or Internet

GSE and Y&A Instructions – Section 8.

General Instructions

Complete this section by either providing the demographic information or checking “**I do not wish to provide this information**” for Ethnicity, Sex, and Race.

Financial Institution

Complete all questions as indicated at the bottom of the page.

Relevant Regulatory Issues

See next two manual sections.

Section 2:

Regulation B - Government Monitoring Information Rules 12 CFR §1002.5 and 12 CFR §1002.13

General Rules – 12 CFR §1002.5(a)

Regulatory Discussion

The general rule regarding requests for information states a creditor may obtain any information in connection with a credit transaction; however, this section governs the types of information a creditor may gather. Section 6 (§1002.6) of this manual governs how the information may be used.

Specifically for credit secured by the applicant's dwelling, a creditor shall request government monitoring information (GMI) (see Section 13 of this manual, §1002.13).

- Note the commentary for “Information required by Regulation C” (HMDA) and “Collecting information on behalf of creditors.”
- Specifically, to monitor or enforce compliance with the ECOA, Regulation B, or other Federal or state statutes or regulations, a creditor may obtain information required by a court or enforcement agency.
- Note the commentary for “Local laws” and “Collecting information on behalf of creditors.”

Specifically for special-purpose credit, a creditor may obtain information to determine eligibility (see Section 8 of this manual, §§1002.8(b), (c), and (d)).

Exceptions: Paragraphs (b), (c) and (d), discussed in greater detail within this Section 5, include limitations on the following types of information:

- Generally, a creditor shall not inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction (exceptions apply).
- Generally, a creditor may not request any information concerning the spouse or former spouse of an applicant (exceptions apply).

Generally, a creditor shall not inquire:

- about the applicant's marital status (exceptions apply);
- whether income stated is derived from alimony, child support, or separate maintenance payments (exceptions apply);
- about birth control practices, intentions concerning bearing/rearing of children, or capability to bear children (exceptions apply).

Finally, the CFPB added an amendment to Regulation B which will add paragraph (4) under §1002.5(a) titled “Other permissible collection of information.” In essence, this is somewhat of a technical amendment that will permit a creditor to collect information that is specifically required by Regulation C (HMDA). Minor conforming changes are also proposed for comment 5(a)(2)-2 to reference the types of loans covered by revised Regulation C and provide a citation to Regulation C. And, a new comment, 5(a)(4)-1, is proposed to be added to provide guidance on the new proposed paragraph (4).

Regulatory Text

(a) General rules

- (1) **Requests for information.** Except as provided in paragraphs (b) through (d) of this section, a creditor may request any information in connection with a credit transaction. This paragraph does not limit or abrogate any Federal or state law regarding privacy, privileged information, credit reporting limitations, or similar restrictions on obtainable information.
- (2) **Required collection of information.** Notwithstanding paragraphs (b) through (d) of this section, a creditor shall request information for monitoring purposes as required by §1002.13 for credit secured by the applicant's dwelling. In addition, a creditor may obtain information required by a regulation, order, or agreement issued by, or entered into with, a court or an enforcement agency (including the Attorney General of the United States or a similar state official) to monitor or enforce compliance with the Act, this part, or other Federal or state statutes or regulations.
- (3) **Special - purpose credit.** A creditor may obtain information that is otherwise restricted to determine eligibility for a special purpose credit program, as provided in §§1002.8(b), (c), and (d).
- (4) **Other permissible collection of information.** Notwithstanding paragraph (b) of this section, a creditor may collect information under the following circumstances provided that the creditor collects the information in compliance with appendix B to 12 CFR part 1003:
 - (i) A creditor that is a financial institution under 12 CFR 1003.2(g) may collect information regarding the ethnicity, race, and sex of an applicant for a closed-end mortgage loan that is an excluded transaction under 12 CFR 1003.3(c)(11) if it submits HMDA data concerning such closed-end mortgage loans and applications or if it submitted HMDA data concerning closed-end mortgage loans for any of the preceding five calendar years;
 - (ii) A creditor that is a financial institution under 12 CFR 1003.2(g) may collect information regarding the ethnicity, race, and sex of an applicant for an open-end line of credit that is an excluded transaction under 12 CFR 1003.3(c)(12) if it submits HMDA data concerning such open-end lines of credit and applications or if it submitted HMDA data concerning open-end lines of credit for any of the preceding five calendar years;
 - (iii) A creditor that submitted HMDA data for any of the preceding five calendar years but is not currently a financial institution under 12 CFR 1003.2(g) may collect information regarding the ethnicity, race, and sex of an applicant for a loan that would otherwise be a covered loan under 12 CFR 1003.2(e) if not excluded by 12 CFR 1003.3(c)(11) or (12);

- (iv) A creditor that exceeded an applicable loan volume threshold in the first year of the two-year threshold period provided in 12 CFR 1003.2(g), 1003.3(c)(11), or 1003.3(c)(12) may, in the second year, collect information regarding the ethnicity, race, and sex of an applicant for a loan that would otherwise be a covered loan under 12 CFR 1003.2(e) if the loan were not excluded by 12 CFR 1003.3(c)(11) or (12);
- (v) A creditor that is a financial institution under 12 CFR 1003.2(g), or that submitted HMDA data for any of the preceding five calendar years but is not currently a financial institution under 12 CFR 1003.2(g), may collect information regarding the ethnicity, race, and sex of an applicant for a loan that would otherwise be a covered loan under 12 CFR 1003.2(e) if the loan were not excluded by 12 CFR 1003.3(c)(10).
- (vi) A creditor that is collecting information regarding the ethnicity, race, and sex of an applicant or first co-applicant may collect information regarding the ethnicity, race, and sex of a second or additional co-applicant for a covered loan under 12 CFR 1003.2(e) or for a second or additional co-applicant for a loan described in paragraphs (a)(4)(i) through (v) of this section.

Regulatory Commentary

5(a) General rules.

Paragraph 5(a)(1).

1. Requests for information. *This section governs the types of information that a creditor may gather. Section 1002.6 governs how information may be used.*

Paragraph 5(a)(2).

- 1. Local laws.** *Information that a creditor is allowed to collect pursuant to a “state” statute or regulation includes information required by a local statute, regulation, or ordinance.*
- 2. Information required by Regulation C.** *Regulation C, 12 CFR part 1003, generally requires creditors covered by the Home Mortgage Disclosure Act (HMDA) to collect and report information about the race, ethnicity, and sex of applicants for certain dwelling-secured loans, including some types of loans not covered by §1002.13.*
- 3. Collecting information on behalf of creditors.** *Persons such as loan brokers and correspondents do not violate the ECOA or Regulation B if they collect information that they are otherwise prohibited from collecting, where the purpose of collecting the information is to provide it to a creditor that is subject to the Home Mortgage Disclosure Act or another Federal or state statute or regulation requiring data collection.*

Paragraph 5(a)(4).

- 1. Other permissible collection of information.** *Information regarding ethnicity, race, and sex that is not required to be collected pursuant to Regulation C, 12 CFR part 1003, may nevertheless be collected under the circumstances set forth in §1002.5(a)(4) without violating §1002.5(b). The information must be retained pursuant to the requirements of §1002.12.*

Limitations on Information – 12 CFR §1002.5(b)

Regulatory Discussion

Except as permitted in §1002.5(a)(1) through (3), a creditor is generally prohibited from collecting information with respect to race, color, religion, national origin, or sex of an applicant or any other person associated with a credit transaction. There are two exceptions:

- When the creditor is conducting a **self-test** to monitor its compliance with the ECOA.
- When the creditor requests a title (i.e., Ms., Miss, Mr., or Mrs.) on an application form that indicates **sex**; provided the designation of title is disclosed as optional.

Inquiries about the sex of an applicant are generally prohibited in order to discourage sex discrimination in the lending process.

Regulatory Text

(b) **Limitation on information about race, color, religion, national origin, or sex.** A creditor shall not inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction, except as provided in paragraphs (b)(1) and (b)(2) of this section.

(1) **Self-test.** A creditor may inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction for the purpose of conducting a self-test that meets the requirements of §1002.15. A creditor that makes such an inquiry shall disclose orally or in writing, at the time the information is requested, that:

- (i) The applicant will not be required to provide the information;
- (ii) The creditor is requesting the information to monitor its compliance with the Federal Equal Credit Opportunity Act;
- (iii) Federal law prohibits the creditor from discriminating on the basis of this information, or on the basis of an applicant's decision not to furnish the information; and
- (iv) If applicable, certain information will be collected based on visual observation or surname if not provided by the applicant or other person.

Regulatory Commentary

None.

Information to be Requested – 12 CFR § 1002.13(a) – GMI In General

Regulatory Discussion

In the event an application is received:

- For the purchase or refinancing
- Of a “dwelling” (see (a)(2) for definition) occupied, or to be occupied, by the applicant
- As a principal residence
- Where the credit will be secured by the dwelling

the creditor shall request information regarding the applicant, including:

- Ethnicity and race;
- Sex;
- Marital status; and
- Age

The commentary provides additional guidance on important topics to be considered in satisfying the requirements of this paragraph.

Regulatory Text

(a) Information to be requested.

- (1) A creditor that receives an application for credit primarily for the purchase or refinancing of a dwelling occupied or to be occupied by the applicant as a principal residence, where the extension of credit will be secured by the dwelling, shall request as part of the application the following information regarding the applicant(s):

(i) Ethnicity and race using either:

(A) For ethnicity, the aggregate categories Hispanic or Latino and not Hispanic or Latino; and, for race, the aggregate categories American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White; or

(B) The categories and subcategories for the collection of ethnicity and race set forth in appendix B to 12 CFR part 1003.

(ii) Sex;

(iii) Marital status, using the categories married, unmarried, and separated; and

(iv) Age.

- (2) **Dwelling** means a residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes, but is not limited to, an

individual condominium or cooperative unit and a mobile or other manufactured home.

Regulatory Commentary

13(a) Information to be requested.

1. **Natural person.** *Section 1002.13 applies only to applications from natural persons.*
2. **Principal residence.** *The requirements of §1002.13 apply only if an application relates to a dwelling that is or will be occupied by the applicant as the principal residence. A credit application related to a vacation home, or a rental unit is not covered. In the case of a two-to four-unit dwelling, the application is covered if the applicant intends to occupy one of the units as a principal residence.*
3. **Temporary financing.** *An application for temporary financing to construct a dwelling is not subject to §1002.13. But an application for both a temporary loan to finance construction of a dwelling and a permanent mortgage loan to take effect upon the completion of construction is subject to §1002.13.*
4. **New principal residence.** *A person can have only one principal residence at a time. However, if a person buys or builds a new dwelling that will become that person's principal residence within a year or upon completion of construction, the new dwelling is considered the principal residence for purposes of §1002.13.*
5. **Transactions not covered.** *The information-collection requirements of this section apply to applications for credit primarily for the purchase or refinancing of a dwelling that is or will become the applicant's principal residence. Therefore, applications for credit secured by the applicant's principal residence but made primarily for a purpose other than the purchase or refinancing of the principal residence (such as loans for home improvement and debt consolidation) are not subject to the information-collection requirements. An application for an open-end home equity line of credit is not subject to this section unless it is readily apparent to the creditor when the application is taken that the primary purpose of the line is for the purchase or refinancing of a principal dwelling.*
6. **Refinancings.** *A refinancing occurs when an existing obligation is satisfied and replaced by a new obligation undertaken by the same borrower. A creditor that receives an application to refinance an existing extension of credit made by that creditor for the purchase of the applicant's dwelling may request the monitoring information again but is not required to do so if it was obtained in the earlier transaction.*
7. **Data collection under Regulation C.** *For applications subject to §1002.13(a)(1), a creditor that collects information about the ethnicity, race, and sex of an applicant in compliance with the requirements of appendix B to 12 CFR part 1003 is acting in compliance with §1002.13 concerning the collection of an applicant's ethnicity, race, and sex information. See also comment 5(a)(2)-2.*
8. **Application-by-application basis.** *For applications subject to §1002.13(a)(1), a creditor may choose on an application-by-application basis whether to collect aggregate information pursuant to §1002.13(a)(1)(i)(A) or disaggregated information pursuant to §1002.13(a)(1)(i)(B) about the ethnicity and race of the applicant.*

Obtaining GMI Information – 12 CFR § 1002.13(b)

Regulatory Discussion

If the information required under paragraph (a) is required, the creditor may either:

- List the questions on the application form; or
- Provide a separate form that refers to the application.

The applicant(s) is not required to supply the information. If the applicant(s) does not supply the information, the form shall indicate that choice.

The creditor is then obligated (to the extent possible) to provide the required information based on visual observation or surname of the applicant(s).

The commentary provides additional guidance on important topics to be considered in satisfying the requirements of this paragraph.

Failure to indicate the process under which the application was received can place the institution at a disadvantage during regulatory examinations or legal actions. Therefore, all lenders should be trained to complete the “application received by” information for every loan, every time.

Regulatory Text

- (b) **Obtaining information.** Questions regarding ethnicity, race, sex, marital status, and age may be listed, at the creditor's option, on the application form or on a separate form that refers to the application. The applicant(s) shall be asked but not required to supply the requested information. If the applicant(s) chooses not to provide the information or any part of it, that fact shall be noted on the form. The creditor shall then also note on the form, to the extent possible, the ethnicity, race, and sex of the applicant(s) on the basis of visual observation or surname. When a creditor collects ethnicity and race information pursuant to §1002.13(a)(1)(i)(B), the creditor must comply with any restrictions on the collection of an applicant's ethnicity or race on the basis of visual observation or surname set forth in appendix B to 12 CFR part 1003. If there is more than one co-applicant, a creditor is permitted, but is not required, to collect the information set forth in paragraph (a) of this section from a second or additional co-applicant.

Regulatory Commentary

13(b) Obtaining of information.

1. **Forms for collecting data.** *A creditor may collect the information specified in §1002.13(a) either on an application form or on a separate form referring to the application. Appendix B to this part provides for two alternative data collection model forms for use in complying with the requirements of §1002.13(a)(1)(i) and (ii) to collect information concerning an applicant's ethnicity, race, and sex. When a creditor collects ethnicity and race information pursuant to*

§1002.13(a)(1)(i)(A), the applicant must be offered the option to select more than one racial designation. When a creditor collects ethnicity and race information pursuant to §1002.13(a)(1)(i)(B), the applicant must be offered the option to select more than one ethnicity designation and more than one racial designation.

2. Written applications. *The regulation requires written applications for the types of credit covered by §1002.13. A creditor can satisfy this requirement by recording on paper or by means of computer the information that the applicant provides orally and that the creditor normally considers in a credit decision.*

3. Telephone, mail applications.

i. A creditor that accepts an application by telephone or mail must request the monitoring information.

ii. A creditor that accepts an application by mail need not make a special request for the monitoring information if the applicant has failed to provide it on the application form returned to the creditor.

iii. If it is not evident on the face of an application that it was received by mail, telephone, or via an electronic medium, the creditor should indicate on the form or other application record how the application was received.

4. Video and other electronic-application processes.

i. If a creditor takes an application through an electronic medium that allows the creditor to see the applicant, the creditor must treat the application as taken in person. The creditor must note the monitoring information on the basis of visual observation or surname, if the applicant chooses not to provide the information.

ii. If an applicant applies through an electronic medium without video capability, the creditor treats the application as if it were received by mail.

5. Applications through loan-shopping services. *When a creditor receives an application through an unaffiliated loan-shopping service, it does not have to request the monitoring information for purposes of the ECOA or Regulation B. Creditors subject to the Home Mortgage Disclosure Act should be aware, however, that data collection may be called for under Regulation C (12 CFR part 1003), which generally requires creditors to report, among other things, the sex and race of an applicant on brokered applications or applications received through a correspondent.*

6. Inadvertent notation. *If a creditor inadvertently obtains the monitoring information in a dwelling-related transaction not covered by §1002.13, the creditor may process and retain the application without violating the regulation.*

Disclosure to Applicants Regarding GMI – 12 CFR § 1002.13(c)

Regulatory Discussion

The creditor is also required to inform the applicant(s) that the information required under

paragraph (a) is requested by the Federal Government in order to monitor compliance with anti-discrimination statutes. In addition, the creditor must inform the applicant(s) that if they choose not to provide the information, the creditor must note the information based on visual observation or surname.

The commentary provides guidance on *procedures for providing the disclosures*.

Appendix B provides data collection model forms for use in complying with § 1002.13 and that comply with § 1002.13(c).

Regulatory Text

(c) **Disclosure to applicant(s).** The creditor shall inform the applicant(s) that the information regarding ethnicity, race, sex, marital status, and age is being requested by the Federal Government for the purpose of monitoring compliance with Federal statutes that prohibit creditors from discriminating against applicants on those bases. The creditor shall also inform the applicant(s) that if the applicant(s) chooses not to provide the information, the creditor is required to note the ethnicity, race and sex on the basis of visual observation or surname.

Regulatory Commentary

13(c) Disclosure to applicants.

1. Procedures for providing disclosures. The disclosure to an applicant regarding the monitoring information may be provided in writing. Appendix B provides data collection model forms for use in complying with §1002.13 and that comply with §1002.13(c). A creditor may devise its own disclosure so long as it is substantially similar. The creditor need not orally request the monitoring information if it is requested in writing.

Pitfalls

Non-HMDA Bank. Indicate which scenarios will require GMI.

1. Home Purchase
2. Refinance of home purchase money plus additional money to make home improvements.
3. Refinance of home purchase money plus additional money to pay credit card debt.
4. Loan to pay off high interest credit cards.
5. Home improvement loan.
6. Loan on home to purchase car.

Section 3:

HMDA Government Monitoring Information Rules

12 CFR §1003.4(b)

Ethnicity, Race, Sex, Age, and Income – HMDA Institutions

Regulatory Text [12CFR § 1003.4(b)]

(b) Collection of data on ethnicity, race, sex, age, and income.

- (1) A financial institution shall collect data about the ethnicity, race, and sex of the applicant or borrower as prescribed in appendix B to this part.
- (1) Ethnicity, race, sex, age, and income data may but need not be collected for covered loans purchased by a financial institution.

Regulatory Commentary

None.

Appendix B to Part 1003 - Form and Instructions for Data Collection on Ethnicity, Race, AND Sex

You may list questions regarding the ethnicity, race, and sex of the applicant on your loan application form, or on a separate form that refers to the application. (See the sample data collection form below for model language.)

1. You must ask the applicant for this information (but you cannot require the applicant to provide it) whether the application is taken in person, by mail or telephone, or on the internet. For applications taken by telephone, you must state the information in the collection form orally, except for that information which pertains uniquely to applications taken in writing, for example, the italicized language in the sample data collection form.
2. Inform the applicant that Federal law requires this information to be collected in order to protect consumers and to monitor compliance with Federal statutes that prohibit discrimination against applicants on these bases. Inform the applicant that if the information is not provided where the application is taken in person, you are required to note the information on the basis of visual observation or surname.
3. If you accept an application through electronic media with a video component, you must treat the application as taken in person. If you accept an application through electronic media without a video component (for example, facsimile), you must treat the application as accepted by mail.

4. For purposes of § 1003.4(a)(10)(i), if a covered loan or application includes a guarantor, you do not report the guarantor's ethnicity, race, and sex.
5. If there are no co-applicants, you must report that there is no co-applicant. If there is more than one co-applicant, you must provide the ethnicity, race, and sex only for the first co-applicant listed on the collection form. A co-applicant may provide an absent co-applicant's ethnicity, race, and sex on behalf of the absent co-applicant. If the information is not provided for an absent co-applicant, you must report "information not provided by applicant in mail, internet, or telephone application" for the absent co-applicant.
6. When you purchase a covered loan and you choose not to report the applicant's or co-applicant's ethnicity, race, and sex, you must report that the requirement is not applicable.
7. You must report that the requirement to report the applicant's or co-applicant's ethnicity, race, and sex is not applicable when the applicant or co-applicant is not a natural person (for example, a corporation, partnership, or trust). For example, for a transaction involving a trust, you must report that the requirement to report the applicant's ethnicity, race, and sex is not applicable if the trust is the applicant. On the other hand, if the applicant is a natural person, and is the beneficiary of a trust, you must report the applicant's ethnicity, race, and sex.
8. You must report the ethnicity, race, and sex of an applicant as provided by the applicant. For example, if an applicant selects the "Mexican" box the institution reports "Mexican" for the ethnicity of the applicant. If an applicant selects the "Asian" box the institution reports "Asian" for the race of the applicant. Only an applicant may self-identify as being of a particular Hispanic or Latino subcategory (Mexican, Puerto Rican, Cuban, Other Hispanic or Latino) or of a particular Asian subcategory (Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, Other Asian) or of a particular Native Hawaiian or Other Pacific Islander subcategory (Native Hawaiian, Guamanian or Chamorro, Samoan, Other Pacific Islander) or of a particular American Indian or Alaska Native enrolled or principal tribe.
9. You must offer the applicant the option of selecting more than one ethnicity or race. If an applicant selects more than one ethnicity or race, you must report each selected designation, subject to the limits described below.
 - i. ***Ethnicity—Aggregate categories and subcategories.*** There are two aggregate ethnicity categories: Hispanic or Latino; and Not Hispanic or Latino. If an applicant selects Hispanic or Latino, the applicant may also select up to four ethnicity subcategories: Mexican; Puerto Rican; Cuban; and Other Hispanic or Latino. You must report each aggregate ethnicity category and each ethnicity subcategory selected by the applicant.
 - ii. ***Ethnicity—Other subcategories.*** If an applicant selects the Other Hispanic or Latino ethnicity subcategory, the applicant may also provide a particular Hispanic or Latino ethnicity not listed in the standard subcategories. In such a case, you must report both the selection of Other Hispanic or Latino and the additional information provided by the applicant.
 - iii. ***Race—Aggregate categories and subcategories.*** There are five aggregate race categories: American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; and White. The Asian and the Native Hawaiian or Other Pacific Islander aggregate categories have seven and four subcategories, respectively. The Asian race subcategories are: Asian Indian; Chinese, Filipino; Japanese; Korean; Vietnamese; and Other Asian. The Native Hawaiian or Other Pacific Islander race

subcategories are: Native Hawaiian; Guamanian or Chamorro; Samoan; and Other Pacific Islander. You must report every aggregate race category selected by the applicant. If the applicant also selects one or more race subcategories, you must report each race subcategory selected by the applicant, except that you must not report more than a total of five aggregate race categories and race subcategories combined. For example, if the applicant selects all five aggregate race categories and also selects some race subcategories, you report only the five aggregate race categories. On the other hand, if the applicant selects the White, Asian, and Native Hawaiian or Other Pacific Islander aggregate race categories, and the applicant also selects the Korean, Vietnamese, and Samoan race subcategories, you must report White, Asian, Native Hawaiian or Other Pacific Islander, and any two, at your option, of the three race subcategories selected by the applicant. In this example, you must report White, Asian, and Native Hawaiian or Other Pacific Islander, and in addition you must report (at your option) either Korean and Vietnamese, Korean and Samoan, or Vietnamese and Samoan. To determine how to report an Other race subcategory for purposes of the five-race maximum, see paragraph 9.iv below.

iv. Race—Other subcategories. If an applicant selects the Other Asian race subcategory or the Other Pacific Islander race subcategory, the applicant may also provide a particular Other Asian or Other Pacific Islander race not listed in the standard subcategories. In either such case, you must report both the selection of Other Asian or Other Pacific Islander, as applicable, and the additional information provided by the applicant, subject to the five-race maximum. In all such cases where the applicant has selected an Other race subcategory and also provided additional information, for purposes of the maximum of five reportable race categories and race subcategories combined set forth above, the Other race subcategory and additional information provided by the applicant together constitute only one selection. Thus, using the same facts in the example offered in paragraph 9.iii above, if the applicant also selected Other Asian and entered “Thai” in the space provided, Other Asian and Thai are considered one selection. You must report any two (at your option) of the four race subcategories selected by the applicant Korean, Vietnamese, Other Asian-Thai, and Samoan, in addition to the three aggregate race categories selected by the applicant.

10. If the applicant chooses not to provide the information for an application taken in person, note this fact on the collection form and then collect the applicant’s ethnicity, race, and sex on the basis of visual observation or surname. You must report whether the applicant’s ethnicity, race, and sex was collected on the basis of visual observation or surname. When you collect an applicant’s ethnicity, race, and sex on the basis of visual observation or surname, you must select from the following aggregate categories: ethnicity (Hispanic or Latino; not Hispanic or Latino); race (American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; White); sex (male; female).
11. If the applicant declines to answer these questions by checking the “I do not wish to provide this information” box on an application that is taken by mail or on the internet, or declines to provide this information by stating orally that he or she does not wish to provide this information on an application that is taken by telephone, you must report “information not provided by applicant in mail, internet, or telephone application.”
12. If the applicant begins an application by mail, internet, or telephone, and does not provide the requested information on the application but does not check or select the “I do not wish to provide this information” box on the application, and the applicant meets in person with you to complete the application, you must request the applicant’s ethnicity, race, and sex. If the

applicant does not provide the requested information during the in-person meeting, you must collect the information on the basis of visual observation or surname. If the meeting occurs after the application process is complete, for example, at closing or account opening, you are not required to obtain the applicant's ethnicity, race, and sex.

13. When an applicant provides the requested information for some but not all fields, you report the information that was provided by the applicant, whether partial or complete. If an applicant provides partial or complete information on ethnicity, race, and sex and also checks the "I do not wish to provide this information" box on an application that is taken by mail or on the internet, or makes that selection when applying by telephone, you must report the information on ethnicity, race, and sex that was provided by the applicant.

Pitfalls

HMDA Bank. Indicate which scenarios will require GMI.

1. Home Purchase
2. Refinance of home purchase money plus additional money to make home improvements.
3. Refinance of home purchase money plus additional money to pay credit card debt.
4. Loan to pay off high interest credit cards.
5. Home improvement loan.
6. Loan on home to purchase car.

Loan Originator Information

Section 1: Loan Originator Information (Application Section 9)

Section 9: Loan Originator Information. To be completed by your **Loan Originator**.

Loan Originator Information

Loan Originator Organization Name _____
Address _____
Loan Originator Organization NMLSR ID# _____ State License ID# _____
Loan Originator Name _____
Loan Originator NMLSR ID# _____ State License ID# _____
Email _____ Phone (_____) _____ - _____
Signature _____ Date (mm/dd/yyyy) ____ / ____ / ____

Borrower Name:

Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Section 9.

General Instruction

This section is designed to be completed by the Lender and to provide the applicant with contact information for the organization and individual that originated the loan. Complete this section completely.

Relevant Regulatory Issues

None.

GSE Application - Applicant 2

Section 1: Additional Applicant Personal Data (Application Page 10-11)

To be completed by the **Lender**:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

Uniform Residential Loan Application — Additional Borrower

Verify and complete the information on this application as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) _____

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____

Social Security Number _____
(or Individual Taxpayer Identification Number)

Date of Birth
(mm/dd/yyyy) _____ / _____ / _____

Citizenship

- ☐ U.S. Citizen
☐ Permanent Resident Alien
☐ Non-Permanent Resident Alien

Type of Credit

- ☐ I am applying for **individual credit**.
☐ I am applying for **joint credit**. Total Number of Borrowers: _____
Each Borrower intends to apply for joint credit. **Your initials:** _____

List Name(s) of Other Borrower(s) Applying for this Loan
(First, Middle, Last, Suffix) – Use a separator between names _____

Marital Status

- ☐ Married
☐ Separated
☐ Unmarried

(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents (not listed by another Borrower)

Number _____
Ages _____

Contact Information

Home Phone () _____ - _____
Cell Phone () _____ - _____
Work Phone () _____ - _____ **Ext.** _____
Email _____

Current Address

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Current Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

If at Current Address for LESS than 2 years, list Former Address ☐ Does not apply

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Former Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

Mailing Address – if different from Current Address ☐ Does not apply

Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

1b. Current Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name _____

Street _____ Phone () _____ - _____

City _____ State _____ ZIP _____ Unit # _____ Country _____

Position or Title

Start Date _____ / _____ / _____ (mm/dd/yyyy)

How long in this line of work? _____ Years _____ Months

Check if this statement applies:

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ _____
☐ I have an ownership share of 25% or more. \$ _____

Gross Monthly Income

Base \$ _____ /month
Overtime \$ _____ /month
Bonus \$ _____ /month
Commission \$ _____ /month
Military Entitlements \$ _____ /month
Other \$ _____ /month
TOTAL \$ _____ **0.00/month**

Uniform Residential Loan Application — Additional Borrower
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income☐ Does not apply

Employer or Business Name _____ Phone (____) ____ - ____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ _____ 0.00/month
Position or Title _____ Start Date ____ / ____ / ____ (mm/dd/yyyy) How long in this line of work? ____ Years ____ Months	Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. Monthly Income (or Loss) \$ _____ <input type="radio"/> I have an ownership share of 25% or more. \$ _____		

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income☐ Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name _____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		Previous Gross Monthly Income \$ _____ /month
Position or Title _____ Start Date ____ / ____ / ____ (mm/dd/yyyy) End Date ____ / ____ / ____ (mm/dd/yyyy)	<input type="checkbox"/> Check if you were the Business Owner or Self-Employed	

1e. Income from Other Sources☐ Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- | | | | | | |
|------------------------|------------------------|-------------------------------|----------------------|------------------------|-------------------|
| • Alimony | • Child Support | • Interest and Dividends | • Notes Receivable | • Royalty Payments | • Unemployment |
| • Automobile Allowance | • Disability | • Mortgage Credit Certificate | • Public Assistance | • Separate Maintenance | • Benefits |
| • Boarder Income | • Foster Care | • Mortgage Differential | • Retirement | • Social Security | • VA Compensation |
| • Capital Gains | • Housing or Parsonage | • Payments | (e.g., Pension, IRA) | • Trust | • Other |

NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
_____	\$ _____
_____	\$ _____
_____	\$ _____
Provide TOTAL Amount Here	\$ _____ 0.00

Section 2: Financial Information — Assets and Liabilities.

My information for Section 2 is listed on the Uniform Residential Loan Application with _____
 (insert name of Borrower)

Section 3: Financial Information — Real Estate.

My information for Section 3 is listed on the Uniform Residential Loan Application with _____
 (insert name of Borrower)

Section 4: Loan and Property Information.

My information for Section 4 is listed on the Uniform Residential Loan Application with _____
 (insert name of Borrower)

Borrower Name:

Uniform Residential Loan Application — Additional Borrower
 Freddie Mac Form 65 • Fannie Mae Form 1003
 Effective 9/2020

GSE and Y&A Instructions – Sections 1-4, Applicant 2.

General Instructions

Section 1 is exactly the same as Section 1 for the first applicant. Refer to the instructions for Section 1 above for assistance.

Sections 2-4 require entering the name of the first applicant. No further action is necessary, unless the additional applicant has a completely different set of financial information, which often occurs when the applicants are not legally married, although it can occur at any time. The lender must ascertain whether the financial information already included in the first applicant's data is complete for the second applicant. If it is not complete for any reason, a second application may be required to collect the second applicant's data.

Relevant Regulatory Issues

None.

Section 2: Additional Applicant Declarations (Application Page 12)

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	<input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES _____ _____
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	<input type="radio"/> NO <input type="radio"/> YES
C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?	<input type="radio"/> NO <input type="radio"/> YES \$ _____
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?	<input type="radio"/> NO <input type="radio"/> YES <input type="radio"/> NO <input type="radio"/> YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?	<input type="radio"/> NO <input type="radio"/> YES

5b. About Your Finances

F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	<input type="radio"/> NO <input type="radio"/> YES
G. Are there any outstanding judgments against you?	<input type="radio"/> NO <input type="radio"/> YES
H. Are you currently delinquent or in default on a Federal debt?	<input type="radio"/> NO <input type="radio"/> YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	<input type="radio"/> NO <input type="radio"/> YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	<input type="radio"/> NO <input type="radio"/> YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	<input type="radio"/> NO <input type="radio"/> YES
L. Have you had property foreclosed upon in the last 7 years?	<input type="radio"/> NO <input type="radio"/> YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13	<input type="radio"/> NO <input type="radio"/> YES

Section 6: Acknowledgements and Agreements.

My signature for Section 6 is on the Uniform Residential Loan Application with _____
(insert name of Borrower)

Section 7: Military Service.

This section asks questions about your (or your deceased spouse's) military service.

Military Service of Borrower

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ☐ NO ☐ YES
If YES, check all that apply: ☐ Currently serving on active duty with projected expiration date of service/tour ____ / ____ / ____ (mm/dd/yyyy)
☐ Currently retired, discharged, or separated from service
☐ Only period of service was as a non-activated member of the Reserve or National Guard
☐ Surviving spouse

Borrower Name:

Uniform Residential Loan Application — Additional Borrower
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Section 5 – Applicant 2.

General Instructions

Section 5 for the co-applicant is exactly the same as for the applicant. Follow the instructions above for details.

GSE and Y&A Instructions – Section 6 – Applicant 2.

General Instructions

All signatures appear in Section 6 of the applicant's portion of the application. In Section 6 here, only the applicant's name is inserted.

GSE and Y&A Instructions – Section 7 – Applicant 2.

General Instructions

This section is identical to Section 7 for the first applicant. The rules set forth above apply here as well.

Relevant Regulatory Issues

None.

Section 3: Additional Applicant Demographics and Loan Originator Information (Application Page 13)

Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: Check one or more

- ☐ Hispanic or Latino
☐ Mexican ☐ Puerto Rican ☐ Cuban
☐ Other Hispanic or Latino – *Print origin:* _____

For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- ☐ Not Hispanic or Latino
☐ I do not wish to provide this information

Sex

- ☐ Female
☐ Male
☐ I do not wish to provide this information

Race: Check one or more

- ☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe:* _____

☐ Asian

- ☐ Asian Indian ☐ Chinese ☐ Filipino
☐ Japanese ☐ Korean ☐ Vietnamese

☐ Other Asian – *Print race:* _____

For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- ☐ Black or African American
☐ Native Hawaiian or Other Pacific Islander
☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
☐ Other Pacific Islander – *Print race:* _____

For example: Fijian, Tongan, and so on.

- ☐ White
☐ I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
Was the sex of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
Was the race of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES

The Demographic Information was provided through:

- ☐ Face-to-Face Interview (includes Electronic Media w/ Video Component) ☐ Telephone Interview ☐ Fax or Mail ☐ Email or Internet

Section 9: Loan Originator Information. To be completed by your Loan Originator.

Loan Originator Information

Loan Originator Organization Name _____
Address _____
Loan Originator Organization NMLSR ID# _____ State License ID# _____
Loan Originator Name _____
Loan Originator NMLSR ID# _____ State License ID# _____
Email _____ Phone (____) _____ – _____
Signature _____ Date (mm/dd/yyyy) ____/____/____

Borrower Name:

Uniform Residential Loan Application — Additional Borrower
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Section 8 – Applicant 2.

General Instructions

This section contains the same data as Section 8 for the first applicant. Complete this section following the instructions above.

GSE and Y&A Instructions – Section 9 – Applicant 2.

General Instructions

This section contains the same data as Section 9 for the first applicant. Complete this section following the instructions above.

Section 4: Unmarried Addendum

Unmarried Addendum

To be completed by the **Lender**:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

Uniform Residential Loan Application — Unmarried Addendum

For Borrower Selecting the Unmarried Status

Lenders Instructions for Using the Unmarried Addendum

The Lender may use the Unmarried Addendum only when a Borrower selected "Unmarried" in Section 1 and the information collected is necessary to determine how State property laws directly or indirectly affecting creditworthiness apply, including ensuring clear title.

For example, the Lender may use the Unmarried Addendum when the Borrower resides in a State that recognizes civil unions, domestic partnerships, or registered reciprocal beneficiary relationships or when the property is located in such a State. "State" means any state, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.

If you selected "Unmarried" in Section 1, is there a person who is not your legal spouse but who currently has real property rights similar to those of a legal spouse? ☐ NO ☐ YES

If YES, indicate the type of relationship and the State in which the relationship was formed. For example, indicate if you are in a civil union, domestic partnership, registered reciprocal beneficiary relationship, or other relationship recognized by the State in which you currently reside or where the property is located.

☐ Civil Union ☐ Domestic Partnership ☐ Registered Reciprocal Beneficiary Relationship ☐ Other (explain) _____

State:

Borrower Name: _____
Uniform Residential Loan Application — Unmarried Addendum
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Unmarried Addendum.

Lender Loan No./Universal Loan Identifier and Agency Case No.

Enter the applicable loan number information in the header to link this form with the corresponding URLA components.

General Instructions

This optional form is completed by the Lender for each Borrower with an unmarried status under the following conditions:

- An applicant selected “**Unmarried**” for Marital Status on the URLA or URLA-Additional Borrower forms under Section 1a. Personal Information, AND
- The information must be collected to determine how State property laws directly or indirectly affecting creditworthiness apply, including ensuring clear title.

Relevant Regulatory Issues

None.

Section 5: URLA Lender Loan Information

To be completed by the **Lender**:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

Uniform Residential Loan Application — Lender Loan Information

This section is completed by your Lender.

L1. Property and Loan Information

Community Property State

- ☐ At least one borrower lives in a community property state.
☐ The property is in a community property state.

Transaction Detail

- ☐ Conversion of Contract for Deed or Land Contract
☐ Renovation
☐ Construction-Conversion/Construction-to-Permanent
☐ Single-Closing ☐ Two-Closing

Construction/Improvement Costs \$ _____

Lot Acquired Date ____/____/____ (mm/dd/yyyy)

Original Cost of Lot \$ _____

Refinance Type

- ☐ No Cash Out
☐ Limited Cash Out
☐ Cash Out

Refinance Program

- ☐ Full Documentation
☐ Interest Rate Reduction
☐ Streamlined without Appraisal
☐ Other _____

Energy Improvement

- ☐ Mortgage loan will finance energy-related improvements.
☐ Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes (e.g., the *Property Assessed Clean Energy* program).

Project Type ☐ Condominium ☐ Cooperative ☐ Planned Unit Development (PUD) ☐ Property is not located in a project

L2. Title Information

Title to the Property **Will** be Held in What Name(s):

For Refinance: Title to the Property is **Currently** Held in What Name(s):

Estate Will be Held in

- ☐ Fee Simple
☐ Leasehold Expiration Date ____/____/____ (mm/dd/yyyy)

Manner in Which Title Will be Held

- ☐ Sole Ownership ☐ Joint Tenancy with Right of Survivorship
☐ Life Estate ☐ Tenancy by the Entirety
☐ Tenancy in Common ☐ Other

Trust Information

- ☐ Title Will be Held by an *Inter Vivos (Living)* Trust
☐ Title Will be Held by a Land Trust

Indian Country Land Tenure

- ☐ Fee Simple On a Reservation
☐ Individual Trust Land (*Allotted/Restricted*)
☐ Tribal Trust Land On a Reservation
☐ Tribal Trust Land Off Reservation
☐ Alaska Native Corporation Land

L3. Mortgage Loan Information

Mortgage Type Applied For

- ☐ Conventional ☐ USDA-RD
☐ FHA ☐ VA ☐ Other: _____

Terms of Loan

Note Rate _____ %
Loan Term _____ (months)

Mortgage Lien Type

- ☐ First Lien
☐ Subordinate Lien

Amortization Type

- ☐ Fixed Rate ☐ Other (explain): _____
☐ Adjustable Rate

If Adjustable Rate:

Initial Period Prior to First Adjustment _____ (months)
Subsequent Adjustment Period _____ (months)

Loan Features

- ☐ Balloon/ Balloon Term _____ (months)
☐ Interest Only / Interest Only Term _____ (months)
☐ Negative Amortization
☐ Prepayment Penalty / Prepayment Penalty Term _____ (months)
☐ Temporary Interest Rate Buydown/Initial Buydown Rate _____ %
☐ Other (explain): _____

Proposed Monthly Payment for Property

First Mortgage (P & I)	\$ _____
Subordinate Lien(s) (P & I)	\$ _____
Homeowner's Insurance	\$ _____
Supplemental Property Insurance	\$ _____
Property Taxes	\$ _____
Mortgage Insurance	\$ _____
Association/Project Dues (Condo, Co-Op, PUD)	\$ _____
Other	\$ _____
TOTAL	\$ 0.00

Borrower Name(s):

Uniform Residential Loan Application — Lender Loan Information
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

Uniform Residential Loan Application – Lender Loan Information

Lender Loan Information is to be completed by the Lender and contains the following sections:

Section L1. Property and Loan Information. Collects community property state information, details about the transaction, refinance information, and energy improvement information.

Section L2. Title Information. Collects information about property ownership and how title is and will be held.

Section L3. Mortgage Loan Information. Collects loan terms, characteristics, and details about the proposed monthly payment.

Instructions - Lender Loan Information

The following provide guidance for some fields on the URLA-Lender Loan Information form. Instructions are grouped by URLA section, and not every field is described.

Section L1

To be completed by the Lender:
Lender Loan No./Universal Loan Identifier _____ Agency Case No. _____

Uniform Residential Loan Application — Lender Loan Information

This section is completed by your Lender.

L1. Property and Loan Information	
Community Property State <input type="checkbox"/> At least one borrower lives in a community property state. <input type="checkbox"/> The property is in a community property state.	Refinance Type <input type="radio"/> No Cash Out <input type="radio"/> Limited Cash Out <input type="radio"/> Cash Out
Transaction Detail <input type="checkbox"/> Conversion of Contract for Deed or Land Contract <input type="checkbox"/> Renovation <input type="checkbox"/> Construction-Conversion/Construction-to-Permanent <input type="radio"/> Single-Closing <input type="radio"/> Two-Closing Construction/Improvement Costs \$ _____ Lot Acquired Date ____/____/____ (mm/dd/yyyy) Original Cost of Lot \$ _____	Refinance Program <input type="radio"/> Full Documentation <input type="radio"/> Interest Rate Reduction <input type="radio"/> Streamlined without Appraisal <input type="radio"/> Other _____ Energy Improvement <input type="checkbox"/> Mortgage loan will finance energy-related improvements. <input type="checkbox"/> Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes (e.g., the Property Assessed Clean Energy program).
Project Type <input type="checkbox"/> Condominium <input type="checkbox"/> Cooperative <input type="checkbox"/> Planned Unit Development (PUD) <input type="checkbox"/> Property is not located in a project	

GSE and Y&A Instructions – L1

Transaction Detail:

- Check “**Conversion of Contract for Deed or Land Contract**” when the mortgage loan proceeds will be used to pay off the balance due on a contract for deed or land contract, whether the loan is a purchase or refinance transaction.
- Check “**Renovation**” when the mortgage loan proceeds will be used to finance the cost of renovations to the property, and the value assigned to the renovations is included in the appraised value.

Refinance Type:

- Identify the applicable Refinance Type based on the investor, guarantor, or Lender guidelines. This field may not apply if a Refinance Program is provided (for example, when Interest Rate Reduction is entered for a VA loan).
- Select **“No Cash Out”** for FHA, Freddie Mac, or USDA-RD No Cash Out refinances.
- Select **“Limited Cash Out”** for Fannie Mae Limited Cash Out refinances.
- Select **“Cash Out”** for Fannie Mae, FHA, Freddie Mac, or VA Cash Out refinances.

Refinance Program:

- Identify the applicable Refinance Program based on the investor, guarantor, or Lender guidelines. This field may not apply (for example, Refinance Program is not applicable for Fannie Mae loans).
- Select **“Full Documentation”** for FHA and USDA-RD
- Select **“Interest Rate Reduction”** for VA
- Select **“Streamlined without Appraisal”** for FHA and USDA-RD
- Select **“Other”** and fill in the blank as required to describe refinance programs not listed above.

Energy Improvement:

- Check **“Mortgage loan will finance energy-related improvements”** if the mortgage loan proceeds will be used to finance energy-related improvements, whether the Loan Purpose is Purchase or Refinance.
- Check **“Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes (e.g., the Property Assessed Clean Energy program)”** if there is an energy lien on the property that the Applicant(s) are repaying through property taxes. (This option does not refer to standard real estate property taxes or homeowners’ association liens on the property.)

Section L2

L2. Title Information	
Title to the Property Will be Held in What Name(s):	For Refinance: Title to the Property is Currently Held in What Name(s):
Estate Will be Held in <input type="radio"/> Fee Simple <input type="radio"/> Leasehold Expiration Date ____ / ____ / ____ (mm/dd/yyyy) Manner in Which Title Will be Held <input type="radio"/> Sole Ownership <input type="radio"/> Joint Tenancy with Right of Survivorship <input type="radio"/> Life Estate <input type="radio"/> Tenancy by the Entirety <input type="radio"/> Tenancy in Common <input type="radio"/> Other	Trust Information <input type="radio"/> Title Will be Held by an <i>Inter Vivos (Living)</i> Trust <input type="radio"/> Title Will be Held by a Land Trust Indian Country Land Tenure <input type="radio"/> Fee Simple On a Reservation <input type="radio"/> Individual Trust Land (<i>Allotted/Restricted</i>) <input type="radio"/> Tribal Trust Land On a Reservation <input type="radio"/> Tribal Trust Land Off Reservation <input type="radio"/> Alaska Native Corporation Land

GSE and Y&A Instructions – L2

Manner in Which Title Will be Held

Before closing, the Lender should discuss with the Applicant(s) how they will hold title to the property.

Indian Country Land Tenure

- A reservation is an area of land “reserved” by or for an Indian land, village, or tribe(s) to live on and use. There are three basic categories of land tenure in Indian Country - Fee Lands, Allotted Trust Lands, and Tribal Trust Lands.
- Select **“Fee Simple On a Reservation”** if the land is held by an owner, whether Indian or non-Indian, with no restrictions.
- Select **“Individual Trust Land (Allotted/Restricted)”** (also referred to as Allotted Trust Land) if the land is held in trust for the use of a tribe. The Federal government holds the title, and the individual (or heirs) holds the beneficial interest. Restricted fee land is land in which an individual Indian holds legal title, but with legal restrictions against alienation or encumbrance.
- Select **“Tribal Trust Land On a Reservation”** if the land is held in trust by the United States government for the use of a tribe. The United States holds the legal title, and the tribe holds the beneficial interest. Tribal trust land is held communally by the tribe and is managed by the tribal government.
- Select **“Tribal Trust Land Off Reservation”** if the land was purchased by a tribe outside of its reservation boundaries and then converted to trust land through a regulated process with the Bureau of Indian Affairs.
- Select **“Alaska Native Corporation Land”** if the land is owned by an Indian tribe and was conveyed by the United States to a Native Corporation pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.) or conveyed by the United States to a Native Corporation in exchange for such land.

Section L3

L3. Mortgage Loan Information		
Mortgage Type Applied For <input type="radio"/> Conventional <input type="radio"/> USDA-RD <input type="radio"/> FHA <input type="radio"/> VA <input type="radio"/> Other: _____		Terms of Loan Note Rate _____ % Loan Term _____ (months)
Amortization Type <input type="radio"/> Fixed Rate <input type="radio"/> Other (explain): _____ <input type="radio"/> Adjustable Rate If Adjustable Rate: Initial Period Prior to First Adjustment _____ (months) Subsequent Adjustment Period _____ (months)		Mortgage Lien Type <input type="radio"/> First Lien <input type="radio"/> Subordinate Lien
Loan Features <input type="checkbox"/> Balloon/ Balloon Term _____ (months) <input type="checkbox"/> Interest Only / Interest Only Term _____ (months) <input type="checkbox"/> Negative Amortization <input type="checkbox"/> Prepayment Penalty / Prepayment Penalty Term _____ (months) <input type="checkbox"/> Temporary Interest Rate Buydown/Initial Buydown Rate _____ % <input type="checkbox"/> Other (explain): _____		Proposed Monthly Payment for Property First Mortgage (P & I) \$ _____ Subordinate Lien(s) (P & I) \$ _____ Homeowner's Insurance \$ _____ Supplemental Property Insurance \$ _____ Property Taxes \$ _____ Mortgage Insurance \$ _____ Association/Project Dues (Condo, Co-Op, PUD) \$ _____ Other \$ _____ TOTAL \$ _____ 0.00

GSE and Y&A Instructions – L3.

Terms of Loan

- Note Rate – Enter the interest rate stated on the note signed by the Applicant(s). For an Adjustable-Rate Mortgage, enter the initial interest rate.
- Loan Term – Enter the amortization term of the loan. For a balloon loan, enter the amortization term on which the payment is based.

Amortization Type

Select “**Adjustable Rate**” if the mortgage loan has an interest rate that periodically adjusts based upon a specified term and external index.

Proposed Monthly Payment for Property

- Subordinate Lien(s) (P&I) - Enter the total of all required monthly payments associated with any subordinate lien on the property at closing as entered for Monthly Mortgage Payment under Sections 3a. Property You Own and/or 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing.
- Supplemental Property Insurance - Enter the total of the monthly payments for property insurance the Applicant(s) are required to obtain in addition to homeowner's insurance (for example, flood, earthquake, or other hazardous condition coverage).
- Mortgage Insurance - Enter the monthly payment for mortgage insurance (or mortgage insurance equivalent such as FHA MIP or RD guaranty).
- Association/Project Dues (Condo, Co-Op, PUD, or special assessments) - Enter the monthly cost of the: a) owners' association dues for properties in a condo or PUD project; b) co-op

corporation fees that are the responsibility of the Applicant(s); or (c) any special assessment that is the responsibility of the Applicant(s).

- Other - Enter the total amount of other required expenses, such as the monthly cost of ground rent on a leasehold or a Community Land Trust property.

Section L4

L4. Qualifying the Borrower – Minimum Required Funds or Cash Back		
DUE FROM BORROWER(S)		
A. Sales Contract Price	\$	
B. Improvements, Renovations, and Repairs	\$	
C. Land (if acquired separately)	\$	
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction (See Table 3a. Property You Own)	\$	
E. Credit Cards and Other Debts Paid Off (See Table 2c. Liabilities — Credit Cards, Other Debts, and Leases that You Owe)	\$	
F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments)	\$	
G. Discount Points	\$	
H. TOTAL DUE FROM BORROWER(S) (Total of A thru G)	\$	0.00
TOTAL MORTGAGE LOANS		
I. Loan Amount Loan Amount Excluding Financed Mortgage Insurance (or Mortgage Insurance Equivalent) \$ _____ Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount \$ _____	\$	0.00
J. Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing (See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)	\$	
K. TOTAL MORTGAGE LOANS (Total of I and J)	\$	0.00
TOTAL CREDITS		
L. Seller Credits (Enter the amount of Borrower(s) costs paid by the property seller)	\$	
M. Other Credits (Enter the sum of all other credits — Borrower Paid Fees, Earnest Money, Employer Assisted Housing, Lease Purchase Fund, Lot Equity, Relocation Funds, Sweat Equity, Trade Equity, Other)	\$	
N. TOTAL CREDITS (Total of L and M)	\$	0.00
CALCULATION		
TOTAL DUE FROM BORROWER(S) (Line H)	\$	0.00
LESS TOTAL MORTGAGE LOANS (Line K) AND TOTAL CREDITS (Line N)	– \$	0.00
Cash From/To the Borrower (Line H minus Line K and Line N) NOTE: This amount does not include reserves or other funds that may be required by the Lender to be verified.	\$	0.00

Borrower Name(s): _____
 Uniform Residential Loan Application — Lender Loan Information
 Freddie Mac Form 65 • Fannie Mae Form 1003
 Effective 9/2020

Lender Loan Information is to be completed by the Lender and contains the following sections:

Section L4. Qualifying the Applicant – Minimum Required Funds or Cash Back. Provides a high-level calculation of the funds due from or to the Applicant(s), based upon total transaction costs, mortgage loan amount, and credits.

L4. Qualifying the Borrower – Minimum Required Funds or Cash Back		
DUE FROM BORROWER(S)		
A. Sales Contract Price	\$	
B. Improvements, Renovations, and Repairs	\$	
C. Land (if acquired separately)	\$	
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction (See Table 3a. Property You Own)	\$	
E. Credit Cards and Other Debts Paid Off (See Table 2c. Liabilities — Credit Cards, Other Debts, and Leases that You Owe)	\$	
F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments)	\$	
G. Discount Points	\$	
H. TOTAL DUE FROM BORROWER(s) (Total of A thru G)	\$	0.00

GSE and Y&A Instructions – L4.

Sales Contract Price

Enter the sales price stated in the sales contract.

B. Improvements, Renovations and Repairs

Enter the cost of these items when included as part of the transaction.

C. Land (if acquired separately):

- Enter the cost or value of land (depending on investor requirements) that is not part of the sales contract price or included in the current indebtedness against the property. For example, when the Applicant(s) own or buy the land outside of the purchase price of the property in a:
 - Construction Conversion or Construction-to-Permanent transaction where the Applicant purchases the land separately outside of the sales contract and the sales contract price reflects only the price of building the improvement, OR
 - Manufactured Housing transaction where the Applicant owns the land, and the sales contract price is to purchase only the manufactured home that is then permanently placed on the Applicant's land.

E. Credit Cards and Other Debts Paid Off

Enter the total debt (other than mortgage debt secured by the property) that is to be paid off at or before closing of the mortgage loan. Include the sum of the amounts entered in Unpaid Balance under Section 2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe, that have been checked as To be paid off at or before closing.

F. Borrower Closing Costs

Enter the amount of closing costs that are used in qualifying the Applicant(s), including: closing costs, prepaid items and initial escrow deposits, and the costs for private mortgage insurance (PMI) or equivalent (FHA Upfront Mortgage Insurance Premium (MIP), VA Funding Fee, and USDA-RD Guarantee Fee).

G. Discount Points

Enter the total of all discount points charged by the Lender.

TOTAL MORTGAGE LOANS	
I. Loan Amount	
Loan Amount Excluding Financed Mortgage Insurance (or Mortgage Insurance Equivalent) \$ _____	
Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount \$ _____	\$ 0.00
J. Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing (See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)	\$
K. TOTAL MORTGAGE LOANS (Total of I and J)	\$ 0.00

I. Loan Amount:

- Loan Amount Excluding Financed Mortgage Insurance (or Mortgage Insurance Equivalent) – Enter the base loan amount before the inclusion of financed private mortgage insurance or equivalent (FHA Upfront Mortgage Insurance Premium, VA Funding Fee, and USDA-RD Guarantee Fee).
- Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount – Enter the amount of private mortgage insurance or equivalent (FHA Upfront Mortgage Insurance Premium, VA Funding Fee, and USDA-RD Guarantee Fee) that will be included in the loan amount.
- Loan Amount - Enter the sum of the base loan amount plus the financed mortgage insurance in the right-hand column.

J. Other New Mortgage Loans on the Property

Enter the amount of any other new loans that will be obtained by the Applicant and secured by the property at the same time as the subject loan. (For example, if the Applicant is obtaining a new second mortgage in addition to the first mortgage (with the same or a different Lender), enter

the amount of the new second mortgage here).

Note: The amount entered here should be the same as the sum of the amounts entered for Loan Amount/Amount to be Drawn in Section 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing.

TOTAL CREDITS	
L. Seller Credits (Enter the amount of Borrower(s) costs paid by the property seller)	\$
M. Other Credits (Enter the sum of all other credits — Borrower Paid Fees, Earnest Money, Employer Assisted Housing, Lease Purchase Fund, Lot Equity, Relocation Funds, Sweat Equity, Trade Equity, Other)	\$
N. TOTAL CREDITS (Total of L and M)	\$ 0.00

L. Seller Credits

Enter the amount of Applicant(s) costs paid by the property seller.

M. Other Credits

Enter the sum of all purchase credits in addition to those itemized under 2b. Other Assets and Credits You Have.

Note: Add together all of the following that apply to the transaction: Applicant credits (e.g., Applicant paid fees (before closing), earnest money, lot equity, sweat equity); lender credits; credits from other third parties (e.g., relocation funds, employer assisted housing); non-cash credits from the seller (e.g., trade equity, rent credit); and other credits that do not “fit” into the listed options.

CALCULATION	
TOTAL DUE FROM BORROWER(s) (Line H)	\$ 0.00
LESS TOTAL MORTGAGE LOANS (Line K) AND TOTAL CREDITS (Line N)	– \$ 0.00
Cash From/To the Borrower (Line H minus Line K and Line N) NOTE: This amount does not include reserves or other funds that may be required by the Lender to be verified.	\$ 0.00

Note: The Calculation section should populate automatically without human intervention.

Section 6: Continuation Sheet

Continuation Sheet

To be completed by the **Lender**:
Lender Loan No./Universal Loan Identifier _____

Agency Case No. _____

Uniform Residential Loan Application — Continuation Sheet

Continuation Sheet

Use this continuation sheet if you need more space to complete the Uniform Residential Loan Application.

Borrower Name (First, Middle, Last, Suffix) _____

Additional Information _____

Additional Borrower Name (First, Middle, Last, Suffix) _____

Additional Information _____

I/We fully understand that it is a federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of federal law (18 U.S.C. §§ 1001 *et seq.*).

Borrower Signature _____ Date (mm/dd/yyyy) ____/____/____

Additional Borrower Signature _____ Date (mm/dd/yyyy) ____/____/____

Uniform Residential Loan Application — Continuation Sheet
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 9/2020

GSE and Y&A Instructions – Continuation Sheet

General Instruction

The URLA-Continuation Sheet is an optional form designed for use particularly when the URLA is being manually completed. Use the URLA–Continuation Sheet if more space is needed to complete either the URLA or URLA-Additional Applicant forms.

Lender Loan No./Universal Loan Identifier and Agency Case No.

Enter the applicable loan number information in the Continuation Sheet header to link this form with the corresponding URLA and/or URLA-Additional Applicant forms.

Additional Information

Use this free form text block for additional rows of information that do not fit in the URLA or URLA-Additional Borrower tables, or for any other information related to the loan application.

Borrower Signature and Date

The applicant must sign the URLA-Continuation Sheet to acknowledge and agree that this supplemental information is accurate.

Additional Borrower Signature and Date

If the URLA is being used with the URLA-Additional Borrower, the additional applicant must sign the URLA-Continuation Sheet to acknowledge and agree that this supplemental information is accurate.

Section 7:

Additional URLA Resources

The GSEs have also updated and published the following URLA and the Uniform Loan Application Dataset (ULAD) supporting documents:

- **URLA Instructions** – Provides joint GSE guidance for completing the URLA.
- **URLA Rendering Design Options** – Describes form rendering design options and flexibilities for changing the style and formatting of the redesigned URLA and its components.
- **ULAD Mapping Document** – Ties each data field on the URLA to equivalent data point(s) in the Mortgage Industry Standards Maintenance Organization's Reference Model Version 3.4 (MISMO v3.4).
- **Comparison of Current vs. Redesigned URLA** – Maps each field on the current URLA form to its equivalent field on the updated redesigned URLA. The document indicates field names that are the same as, slightly modified or deleted from, and added to the redesigned URLA.
- **FAQs** – Lists frequently asked questions (FAQs) with new questions and updates in support of the changes made to the redesigned URLA and the GSEs AUS specs.
- **Numbered URLA Components** – Updated the footer to match the effective date of the redesigned URLA.
- **Spanish Translation Aid** – anticipated to be completed and published second quarter 2020.

All of these additional resources can be accessed, either on Freddie Mac's or Fannie Mae's web pages, using the following links:

Freddie Mac:

<https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/ulad#business-resources>

Fannie Mae:

<https://singlefamily.fanniemae.com/delivering/uniform-mortgage-data-program/uniform-residential-loan-application>

Repayment Ability Income Calculation DTI Calculation

Section 1: Repayment Ability and Scope [12 CFR § 1026.43(a)]

Introductory Commentary

Regulatory Discussion

A creditor shall retain evidence of compliance with this section of the regulation for three years after consummation of a transaction covered by that section. It is quoted below.

Regulatory Commentary

Comments 25(c)(3)-1 and -2 state:

Evidence of compliance with repayment ability provisions. A creditor must retain evidence of compliance with §1026.43 for three years after the date of consummation of a consumer credit transaction covered by that section. (See comment 25(c)(3)-2 for guidance on the retention of evidence of compliance with the requirement to offer a consumer a loan without a prepayment penalty under §1026.43(g)(3).) If a creditor must verify and document information used in underwriting a transaction subject to §1026.43, the creditor shall retain evidence sufficient to demonstrate compliance with the documentation requirements of the rule. Although a creditor need not retain actual paper copies of the documentation used in underwriting a transaction subject to §1026.43, to comply with §1026.25(c)(3), the creditor must be able to reproduce such records accurately. For example, if the creditor uses a consumer's Internal Revenue Service (IRS) Form W-2 to verify the consumer's income, the creditor must be able to reproduce the IRS Form W-2 itself, and not merely the income information that was contained in the form.

Dwelling-secured transactions and prepayment penalties. If a transaction covered by §1026.43 has a prepayment penalty, the creditor must maintain records that document that the creditor complied with requirements for offering the consumer an alternative transaction that does not include a prepayment penalty under §1026.43(g)(3), (4), or (5). However, the creditor need not maintain records that document compliance with those provisions if a transaction is consummated without a prepayment penalty or if the creditor and consumer do not consummate a covered transaction. If a creditor offers a transaction with a prepayment penalty to a consumer through a mortgage broker, to evidence compliance with §1026.43(g)(4) the creditor should retain evidence of the alternative covered transaction presented to the mortgage broker, such as a rate sheet, and the agreement with the mortgage broker required by §1026.43(g)(4)(ii).

Regulatory Text

None.

Regulatory Commentary

Section 1026.43—Minimum Standards for Transactions Secured by a Dwelling

1. **Record retention.** See §1026.25(c)(3) and comments 25(c)(3)-1 and -2 for guidance on the required retention of records as evidence of compliance with §1026.43.

Scope – 12 CFR § 1026.43(a)

Regulatory Discussion

This section applies to any consumer credit transaction that is secured by a dwelling, including any real property attached to a dwelling. Excluded from these requirements are:

- HELOCs
- Timeshares
- Reverse mortgages
- Temporary or “bridge” loans
- Construction loans (no longer than 12 months)
- Other loan types, that most banks do not offer

Regulatory Text

- (a) **Scope.** This section applies to any consumer credit transaction that is secured by a dwelling, as defined in §1026.2(a)(19), including any real property attached to a dwelling, other than:
- (1) A home equity line of credit subject to §1026.40;
 - (2) A mortgage transaction secured by a consumer's interest in a timeshare plan, as defined in 11 U.S.C. 101(53(D)); or
 - (3) For purposes of paragraphs (c) through (f) of this section:
 - (i) A reverse mortgage subject to §1026.33;
 - (ii) A temporary or “bridge” loan with a term of 12 months or less, such as a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months or a loan to finance the initial construction of a dwelling;
 - (iii) A construction phase of 12 months or less of a construction-to-permanent loan;
 - (iv) An extension of credit made pursuant to a program administered by a Housing Finance Agency, as defined under 24 CFR 266.5;
 - (v) An extension of credit made by:

[Paragraphs A through D Omitted, as these provisions do not impact banks.]

(vi) An extension of credit made pursuant to a program authorized by sections 101 and 109 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5211; 5219);

(vii) Consumer credit transactions that meet the following criteria...

[Paragraphs A through F Omitted, as these provisions do not impact banks.]

Regulatory Commentary

43(a) Scope.

1. **Consumer credit.** *In general, §1026.43 applies to consumer credit transactions secured by a dwelling, but certain dwelling-secured consumer credit transactions are exempt or partially exempt from coverage under §1026.43(a)(1) through (3). (See §1026.2(a)(12) for the definition of “consumer credit.”) Section 1026.43 does not apply to an extension of credit primarily for a business, commercial, or agricultural purpose, even if it is secured by a dwelling. See §1026.3 and associated commentary for guidance in determining the primary purpose of an extension of credit. In addition, §1026.43 does not apply to any change to an existing loan that is not treated as a refinancing under §1026.20(a).*
2. **Real property.** *“Dwelling” means a residential structure that contains one to four units, whether or not the structure is attached to real property. See §1026.2(a)(19). For purposes of §1026.43, the term “dwelling” includes any real property to which the residential structure is attached that also secures the covered transaction. For example, for purposes of §1026.43(c)(2)(i), the value of the dwelling that secures the covered transaction includes the value of any real property to which the residential structure is attached that also secures the covered transaction.*

Paragraph 43(a)(3).

1. **Renewable temporary or “bridge” loan.** *Under §1026.43(a)(3)(ii), a temporary or “bridge” loan with a term of 12 months or less is exempt from §1026.43(c) through (f). Examples of such a loan are a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months and a loan to finance the initial construction of a dwelling. Where a temporary or “bridge loan” is renewable, the loan term does not include any additional period of time that could result from a renewal provision provided that any renewal possible under the loan contract is for one year or less. For example, if a construction loan has an initial loan term of 12 months but is renewable for another 12-month loan term, the loan is exempt from §1026.43(c) through (f) because the initial loan term is 12 months.*
2. **Construction phase of a construction-to-permanent loan.** *Under §1026.43(a)(3)(iii), a construction phase of 12 months or less of a construction-to-permanent loan is exempt from §1026.43(c) through (f). A construction-to-permanent loan is a potentially multiple-advance loan to finance the construction, rehabilitation, or improvement of a dwelling that may be permanently financed by the same creditor. For such a loan, the construction phase and the permanent phase may be treated as separate transactions for the purpose of compliance with §1026.43(c) through (f), and the construction phase of the loan is exempt from §1026.43(c) through (f), provided the initial term is 12 months or less. See §1026.17(c)(6)(ii), allowing similar treatment for disclosures. Where the construction phase of a construction-to-permanent*

loan is renewable for a period of one year or less, the term of that construction phase does not include any additional period of time that could result from a renewal provision. For example, if the construction phase of a construction-to-permanent loan has an initial term of 12 months but is renewable for another 12-month term before permanent financing begins, the construction phase is exempt from §1026.43(c) through (f) because the initial term is 12 months. Any renewal of one year or less also qualifies for the exemption. The permanent phase of the loan is treated as a separate transaction and is not exempt under §1026.43(a)(3)(iii). It may be a qualified mortgage if it satisfies the appropriate requirements.

Paragraph 43(a)(3)(iv) through (vii).

[Omitted, as these provisions do not impact banks.]

Section 2:

Repayment Ability – General Requirement

12 CFR § 1026.43(c)(1)

Regulatory Discussion

In general, a creditor cannot extend credit to a consumer that is secured by a dwelling (a “covered transaction”) unless there is a reasonable and good faith determination that the consumer will have a reasonable ability to repay the loan.

There are numerous considerations discussed in the commentary.

Regulatory Text

- (1) **General requirement.** A creditor shall not make a loan that is a covered transaction unless the creditor makes a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its terms.

Regulatory Commentary

1. Reasonable and good faith determination.

- i. **General.** Creditors generally are required by §1026.43(c)(1) to make reasonable and good faith determinations of consumers' ability to repay. Section 1026.43(c) and the accompanying commentary describe certain requirements for making this ability-to-repay determination, but do not provide comprehensive underwriting standards to which creditors must adhere. For example, the rule and commentary do not specify how much income is needed to support a particular level of debt or how credit history should be weighed against other factors. So long as creditors consider the factors set forth in §1026.43(c)(2) according to the requirements of §1026.43(c), creditors are permitted to develop their own underwriting standards and make changes to those standards over time in response to empirical information and changing economic and other conditions. Whether a particular ability-to-repay determination is reasonable and in good faith will depend not only on the underwriting standards adopted by the creditor, but on the facts and circumstances of an individual extension of credit and how a creditor's underwriting standards were applied to those facts and circumstances. A consumer's statement or attestation that the consumer has the ability to repay the loan is not indicative of whether the creditor's determination was reasonable and in good faith.

ii. Considerations.

Omitted, as not germane to our discussion today.

2. **Repayment ability at consummation.** Section 1026.43(c)(1) requires the creditor to determine, at or before the time the loan is consummated, that a consumer will have a

reasonable ability to repay the loan. A change in the consumer's circumstances after consummation (for example, a significant reduction in income due to a job loss or a significant obligation arising from a major medical expense) that cannot be reasonably anticipated from the consumer's application, or the records used to determine repayment ability is not relevant to determining a creditor's compliance with the rule. However, if the application or records considered at or before consummation indicate there will be a change in a consumer's repayment ability after consummation (for example, if a consumer's application states that the consumer plans to retire within 12 months without obtaining new employment or that the consumer will transition from full-time to part-time employment), the creditor must consider that information under the rule.

- 3. Interaction with Regulation B.** *Section 1026.43(c)(1) does not require or permit the creditor to make inquiries or verifications prohibited by Regulation B, 12 CFR part 1002.*

Pitfalls

1. Our bank policy is to not verify income for consumer secured or non-secured loans when the applicant is a current customer, but we will verify income for customers we do not know. It doesn't matter whether they have had a loan with us. We just have to know the applicant. Is that ok?

Section 3:

Repayment Ability – Basis for Determination

12 CFR § 1026.43(c)(2)

Regulatory Discussion

The repayment ability determination requires consideration of the following eight items:

- Income or assets
- Employment status
- Monthly payment on the proposed loan
- Monthly payment on any simultaneous loan
- Monthly payment for mortgage-related obligations
- Other debts and obligations (i.e., alimony and child support)
- Monthly debt-to-income ratio or residual income
- Consumer's credit history

The commentary provides additional important information on each of the eight items.

Regulatory Text

- (2) **Basis for determination.** Except as provided otherwise in paragraphs (d), (e), and (f) of this section, in making the repayment ability determination required under paragraph (c)(1) of this section, a creditor must consider the following:
- (i) The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan;
 - (ii) If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status;
 - (iii) The consumer's monthly payment on the covered transaction, calculated in accordance with paragraph (c)(5) of this section;
 - (iv) The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made, calculated in accordance with paragraph (c)(6) of this section;
 - (v) The consumer's monthly payment for mortgage-related obligations;
 - (vi) The consumer's current debt obligations, alimony, and child support;
 - (vii) The consumer's monthly debt-to-income ratio or residual income in accordance with paragraph (c)(7) of this section; and
 - (viii) The consumer's credit history.

Regulatory Commentary

43(c)(2) Basis for determination.

1. **General.** Section 1026.43(c)(2) sets forth factors creditors must consider when making the ability-to-repay determination required under § 1026.43(c)(1) and the accompanying commentary provides guidance regarding these factors. Creditors must conform to these requirements and may rely on guidance provided in the commentary. However, § 1026.43(c) and the accompanying commentary do not provide comprehensive guidance on definitions and other technical underwriting criteria necessary for evaluating these factors in practice. So long as a creditor complies with the provisions of § 1026.43(c), the creditor is permitted to use its own definitions and other technical underwriting criteria. A creditor may, but is not required to, look to guidance issued by entities such as the Federal Housing Administration, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, or Fannie Mae or Freddie Mac while operating under the conservatorship of the Federal Housing Finance Agency. For example, a creditor may refer to such guidance to classify particular inflows, obligations, or property as “income,” “debt,” or “assets.” Similarly, a creditor may refer to such guidance to determine what information to use when evaluating the income of a self-employed or seasonally employed consumer or what information to use when evaluating the credit history of a consumer who has obtained few, or no extensions of traditional “credit” as defined in § 1026.2(a)(14). These examples are illustrative, and creditors are not required to conform to guidance issued by these or other such entities. However, as required by § 1026.43(c)(1), a creditor must ensure that its underwriting criteria, as applied to the facts and circumstances of a particular extension of credit, result in a reasonable, good faith determination of a consumer's ability to repay. For example, a definition used in underwriting that is reasonable in isolation may lead to ability-to-repay determinations that are unreasonable or not in good faith when considered in the context of a creditor's underwriting standards or when adopted or applied in bad faith. Similarly, an ability-to-repay determination is not unreasonable or in bad faith merely because the underwriting criteria used included a definition that was by itself unreasonable.

Paragraph 43(c)(2)(i).

1. **Income or assets generally.** A creditor may base its determination of repayment ability on current or reasonably expected income from employment or other sources, assets other than the dwelling that secures the covered transaction, or both. The creditor may consider any type of current or reasonably expected income, including, for example, the following: salary; wages; self-employment income; military or reserve duty income; bonus pay; tips; commissions; interest payments; dividends; retirement benefits or entitlements; rental income; royalty payments; trust income; public assistance payments; and alimony, child support, and separate maintenance payments. The creditor may consider any of the consumer's assets, other than the value of the dwelling that secures the covered transaction, including, for example, the following: funds in a savings or checking account, amounts vested in a retirement account, stocks, bonds, certificates of deposit, and amounts available to the consumer from a trust fund. (As stated in § 1026.43(a), the value of the dwelling includes the value of the real property to which the residential structure is attached, if the real property also secures the covered transaction.)
2. **Income or assets relied on.** A creditor need consider only the income or assets necessary to support a determination that the consumer can repay the covered transaction. For example, if a consumer's loan application states that the consumer earns an annual salary from both a full-time job and a part-time job and the creditor reasonably determines that the consumer's

income from the full-time job is sufficient to repay the loan, the creditor need not consider the consumer's income from the part-time job. Further, a creditor need verify only the income (or assets) relied on to determine the consumer's repayment ability. See comment 43(c)(4)-1.

3. **Reasonably expected income.** *If a creditor relies on expected income in excess of the consumer's income, either in addition to or instead of current income, the expectation that the income will be available for repayment must be reasonable and verified with third-party records that provide reasonably reliable evidence of the consumer's expected income. For example, if the creditor relies on an expectation that a consumer will receive an annual bonus, the creditor may verify the basis for that expectation with records that show the consumer's past annual bonuses, and the expected bonus must bear a reasonable relationship to the past bonuses. Similarly, if the creditor relies on a consumer's expected salary from a job the consumer has accepted and will begin after receiving an educational degree, the creditor may verify that expectation with a written statement from an employer indicating that the consumer will be employed upon graduation at a specified salary.*
4. **Seasonal or irregular income.** *A creditor reasonably may determine that a consumer can make periodic loan payments even if the consumer's income, such as self-employment income, is seasonal or irregular. For example, assume a consumer receives seasonal income from the sale of crops or from agricultural employment. Each year, the consumer's income arrives during only a few months. If the creditor determines that the consumer's annual income divided equally across 12 months is sufficient for the consumer to make monthly loan payments, the creditor reasonably may determine that the consumer can repay the loan, even though the consumer may not receive income during certain months.*
5. **Multiple applicants.** *When two or more consumers apply for an extension of credit as joint obligors with primary liability on an obligation, § 1026.43(c)(2)(i) does not require the creditor to consider income or assets that are not needed to support the creditor's repayment ability determination. If the income or assets of one applicant are sufficient to support the creditor's repayment ability determination, the creditor is not required to consider the income or assets of the other applicant. For example, if a husband and wife jointly apply for a loan and the creditor reasonably determines that the wife's income is sufficient to repay the loan, the creditor is not required to consider the husband's income.*

Paragraph 43(c)(2)(ii).

1. **Employment status and income.** *Employment status need not be full-time, and employment need not occur at regular intervals. If, in determining the consumer's repayment ability, the creditor relies on income from the consumer's employment, then that employment may be, for example, full-time, part-time, seasonal, irregular, military, or self-employment, so long as the creditor considers those characteristics of the employment. Under § 1026.43(c)(2)(ii), a creditor must verify a consumer's current employment status only if the creditor relies on the consumer's employment income in determining the consumer's repayment ability. For example, if a creditor relies wholly on a consumer's investment income to determine repayment ability, the creditor need not verify or document employment status. See comments 43(c)(2)(i)-5 and 43(c)(4)-2 for guidance on which income to consider when multiple consumers apply jointly for a loan.*

Paragraph 43(c)(2)(iii).

1. **General.** For purposes of the repayment ability determination required under § 1026.43(c)(2), a creditor must consider the consumer's monthly payment on a covered transaction that is calculated as required under § 1026.43(c)(5).

Paragraph 43(c)(2)(iv).

1. **Home equity lines of credit.** For purposes of § 1026.43(c)(2)(iv), a simultaneous loan includes any covered transaction or home equity line of credit (HELOC) subject to § 1026.40 that will be made to the same consumer at or before consummation of the covered transaction and secured by the same dwelling that secures the covered transaction. A HELOC that is a simultaneous loan that the creditor knows or has reason to know about must be considered as a mortgage obligation in determining a consumer's ability to repay the covered transaction even though the HELOC is not a covered transaction subject to § 1026.43. See § 1026.43(a) discussing the scope of this section. "Simultaneous loan" is defined in § 1026.43(b)(12). For further explanation of "same consumer," see comment 43(b)(12)-2.
2. **Knows or has reason to know.** In determining a consumer's repayment ability for a covered transaction under § 1026.43(c)(2), a creditor must consider the consumer's payment obligation on any simultaneous loan that the creditor knows or has reason to know will be or has been made at or before consummation of the covered transaction. For example, where a covered transaction is a home purchase loan, the creditor must consider the consumer's periodic payment obligation for any "piggyback" second-lien loan that the creditor knows or has reason to know will be used to finance part of the consumer's down payment. The creditor complies with this requirement where, for example, the creditor follows policies and procedures that are designed to determine whether at or before consummation the same consumer has applied for another credit transaction secured by the same dwelling. To illustrate, assume a creditor receives an application for a home purchase loan where the requested loan amount is less than the home purchase price. The creditor's policies and procedures must require the consumer to state the source of the down payment and provide verification. If the creditor determines the source of the down payment is another extension of credit that will be made to the same consumer at or before consummation and secured by the same dwelling, the creditor knows or has reason to know of the simultaneous loan and must consider the simultaneous loan. Alternatively, if the creditor has information that suggests the down payment source is the consumer's existing assets, the creditor would be under no further obligation to determine whether a simultaneous loan will be extended at or before consummation of the covered transaction. The creditor is not obligated to investigate beyond reasonable underwriting policies and procedures to determine whether a simultaneous loan will be extended at or before consummation of the covered transaction.
3. **Scope of timing.** For purposes of § 1026.43(c)(2)(iv), a simultaneous loan includes a loan that comes into existence concurrently with the covered transaction subject to § 1026.43(c). A simultaneous loan does not include a credit transaction that occurs after consummation of the covered transaction that is subject to this section. However, any simultaneous loan that specifically covers closing costs of the covered transaction but is scheduled to be extended after consummation must be considered for the purposes of § 1026.43(c)(2)(iv).

Paragraph 43(c)(2)(v).

1. **General.** *A creditor must include in its repayment ability assessment the consumer's monthly payment for mortgage-related obligations, such as the expected property taxes and premiums or similar charges identified in § 1026.4(b)(5), (7), (8), or (10) that are required by the creditor. See § 1026.43(b)(8) defining the term "mortgage-related obligations." Mortgage-related obligations must be included in the creditor's determination of repayment ability regardless of whether the amounts are included in the monthly payment or whether there is an escrow account established. Section 1026.43(c)(2)(v) includes only payments that occur on an ongoing or recurring basis in the evaluation of the consumer's monthly payment for mortgage-related obligations. One-time charges, or obligations satisfied at or before consummation, are not ongoing or recurring, and are therefore not part of the consumer's monthly payment for purposes of § 1026.43(c)(2)(v). For example:*
 - i. *Assume that a consumer will be required to pay property taxes, as described in comment 43(b)(8)-2, on a quarterly, annual, or other basis after consummation. Section 1026.43(c)(2)(v) includes these recurring property taxes in the evaluation of the consumer's monthly payment for mortgage-related obligations. However, if the consumer will incur a one-time charge to satisfy property taxes that are past due, § 1026.43(c)(2)(v) does not include this one-time charge in the evaluation of the consumer's monthly payment for mortgage-related obligations.*
 - ii. *Assume that a consumer will be required to pay mortgage insurance premiums, as described in comment 43(b)(8)-2, on a monthly, annual, or other basis after consummation. Section 1026.43(c)(2)(v) includes these recurring mortgage insurance payments in the evaluation of the consumer's monthly payment for mortgage-related obligations. However, if the consumer will incur a one-time fee or charge for mortgage insurance or similar purposes, such as an up-front mortgage insurance premium imposed at consummation, § 1026.43(c)(2)(v) does not include this up-front mortgage insurance premium in the evaluation of the consumer's monthly payment for mortgage-related obligations.*
2. **Obligations to an association, other than special assessments.** *Section 1026.43(b)(8) defines mortgage-related obligations to include obligations owed to a condominium, cooperative, or homeowners association. However, § 1026.43(c)(2)(v) does not require a creditor to include in the evaluation of the consumer's monthly payment for mortgage-related obligations payments to such associations imposed in connection with the extension of credit or imposed as an incident to the transfer of ownership, if such obligations are fully satisfied at or before consummation. For example, if a homeowners association imposes a one-time transfer fee on the transaction, and the consumer will pay the fee at or before consummation, § 1026.43(c)(2)(v) does not require the creditor to include this one-time transfer fee in the evaluation of the consumer's monthly payment for mortgage-related obligations. Section 1026.43(c)(2)(v) also does not require the creditor to include this fee in the evaluation of the consumer's monthly payment for mortgage-related obligations if the consumer finances the fee in the loan amount. However, if the consumer incurs the obligation and will satisfy the obligation with recurring payments after consummation, regardless of whether the obligation is escrowed, § 1026.43(c)(2)(v) requires the creditor to include the transfer fee in the evaluation of the consumer's monthly payment for mortgage-related obligations.*
3. **Special assessments imposed by an association.** *Section 1026.43(b)(8) defines mortgage-related obligations to include special assessments imposed by a condominium, cooperative, or*

homeowners' association. Section 1026.43(c)(2)(v) does not require a creditor to include special assessments in the evaluation of the consumer's monthly payment for mortgage-related obligations if the special assessments are fully satisfied at or before consummation. For example, if a homeowners association imposes a special assessment that the consumer will have to pay in full at or before consummation, § 1026.43(c)(2)(v) does not include the special assessment in the evaluation of the consumer's monthly payment for mortgage-related obligations. Section 1026.43(c)(2)(v) does not require a creditor to include special assessments in the evaluation of the consumer's monthly payment for mortgage-related obligations if the special assessments are imposed as a one-time charge. For example, if a homeowners association imposes a special assessment that the consumer will have to satisfy in one payment, § 1026.43(c)(2)(v) does not include this one-time special assessment in the evaluation of the consumer's monthly payment for mortgage-related obligations. However, if the consumer will pay the special assessment on a recurring basis after consummation, regardless of whether the consumer's payments for the special assessment are escrowed, § 1026.43(c)(2)(v) requires the creditor to include this recurring special assessment in the evaluation of the consumer's monthly payment for mortgage-related obligations.

4. Pro rata amount. For purposes of § 1026.43(c)(2)(v), the creditor may divide the recurring payments for mortgage-related obligations into monthly, pro rata amounts. In considering a mortgage-related obligation that is not paid monthly, if the mortgage loan is originated pursuant to a government program the creditor may determine the pro rata monthly amount of the mortgage-related obligation in accordance with the specific requirements of that program. If the mortgage loan is originated pursuant to a government program that does not contain specific standards for determining the pro rata monthly amount of the mortgage-related obligation, or if the mortgage loan is not originated pursuant to a government program, the creditor complies with § 1026.43(c)(2)(v) by dividing the total amount of a particular non-monthly mortgage-related obligation by no more than the number of months from the month that the non-monthly mortgage-related obligation was due prior to consummation until the month that the non-monthly mortgage-related obligation will be due after consummation. When determining the pro rata monthly payment amount, the creditor may also consider comment 43(c)(2)(v)-5, which explains that the creditor need not project potential changes. The following examples further illustrate how a creditor may determine the pro rata monthly amount of mortgage-related obligations, pursuant to § 1026.43(c)(2)(v):

- i. Assume that a consumer applies for a mortgage loan on February 1st. Assume further that the subject property is located in a jurisdiction where property taxes are paid in arrears on the first day of October. The creditor complies with § 1026.43(c)(2)(v) by determining the annual property tax amount owed in the prior October, dividing the amount by 12, and using the resulting amount as the pro rata monthly property tax payment amount for the determination of the consumer's monthly payment for mortgage-related obligations. The creditor complies even if the consumer will likely owe more in the next year than the amount owed the prior October because the jurisdiction normally increases the property tax rate annually, provided that the creditor does not have knowledge of an increase in the property tax rate at the time of underwriting. See also comment 43(c)(2)(v)-5 regarding estimates of mortgage-related obligations.
- ii. Assume that a subject property is located in a special water district, the assessments for which are billed separately from local property taxes. The creditor complies with § 1026.43(c)(2)(v) by dividing the full amount that will be owed by the number of months in the assessment period and including the resulting amount in the calculation of monthly mortgage-related obligations. However, § 1026.43(c)(2)(v) does not require a creditor to

adjust the monthly amount to account for potential deviations from the average monthly amount. For example, assume in this example that the special water assessment is billed every eight months, that the consumer will have to pay the first water district bill four months after consummation, and that the seller will not provide the consumer with any funds to pay for the seller's obligation (i.e., the four months prior to consummation). Although the consumer will be required to budget twice the average monthly amount to pay the first water district bill, § 1026.43(c)(2)(v) does not require the creditor to use the increased amount; the creditor complies with § 1026.43(c)(2)(v) by using the average monthly amount.

- iii. Assume that the subject property is located in an area where flood insurance is required by Federal law and assume further that the flood insurance policy premium is paid every three years following consummation. The creditor complies with § 1026.43(c)(2)(v) by dividing the three-year premium by 36 months and including the resulting amount in the determination of the consumer's monthly payment for mortgage-related obligations. The creditor complies even if the consumer will not establish a monthly escrow for flood insurance.*
- iv. Assume that the subject property is part of a homeowners association that has imposed upon the seller a special assessment of \$1,200. Assume further that this special assessment will become the consumer's obligation upon consummation of the transaction, that the consumer is permitted to pay the special assessment in twelve \$100 installments after consummation, and that the mortgage loan will not be originated pursuant to a government program that contains specific requirements for prorating special assessments. The creditor complies with § 1026.43(c)(2)(v) by dividing the \$1,200 special assessment by 12 months and including the resulting \$100 monthly amount in the determination of the consumer's monthly payment for mortgage-related obligations. The creditor complies by using this calculation even if the consumer intends to pay the special assessment in a manner other than that used by the creditor in determining the monthly pro rata amount, such as where the consumer intends to pay six \$200 installments.*

5. Estimates. *Estimates of mortgage-related obligations should be based upon information that is known to the creditor at the time the creditor underwrites the mortgage obligation. Information is known if it is reasonably available to the creditor at the time of underwriting the loan. Creditors may rely on guidance provided under comment 17(c)(2)(i)-1 in determining if information is reasonably available. For purposes of this section, the creditor need not project potential changes, such as by estimating possible increases in taxes and insurance. See comment 43(c)(2)(v)-4 for additional examples discussing the projection of potential changes. The following examples further illustrate the requirements of § 1026.43(c)(2)(v):*

- i. Assume that the property is subject to a community governance association, such as a homeowners association. The creditor complies with § 1026.43(c)(2)(v) by relying on an estimate of mortgage-related obligations prepared by the homeowners association. In accordance with the guidance provided under comment 17(c)(2)(i)-1, the creditor need only exercise due diligence in determining mortgage-related obligations and complies with § 1026.43(c)(2)(v) by relying on the representations of other reliable parties in preparing estimates.*
- ii. Assume that the homeowners association has imposed a special assessment on the seller, but the seller does not inform the creditor of the special assessment, the homeowners association does not include the special assessment in the estimate of expenses prepared for the creditor,*

and the creditor is unaware of the special assessment. The creditor complies with § 1026.43(c)(2)(v) if it does not include the special assessment in the determination of mortgage-related obligations. The creditor may rely on the representations of other reliable parties, in accordance with the guidance provided under comment 17(c)(2)(i)-1.

- iii. Assume that the homeowners association imposes a special assessment after the creditor has completed underwriting, but prior to consummation. The creditor does not violate § 1026.43(c)(2)(v) if the creditor does not include the special assessment in the determination of the consumer's monthly payment for mortgage-related obligations, provided the homeowners association does not inform the creditor about the special assessment during underwriting. Section 1026.43(c)(2)(v) does not require the creditor to re-underwrite the loan. The creditor has complied with § 1026.43(c)(2)(v) by including the obligations known to the creditor at the time the loan is underwritten, even if the creditor learns of new mortgage-related obligations before the transaction is consummated.

Paragraph 43(c)(2)(vi).

1. **Consideration of current debt obligations.** Section 1026.43(c)(2)(vi) requires creditors to consider a consumer's current debt obligations and any alimony or child support the consumer is required to pay. Examples of current debt obligations include student loans, automobile loans, revolving debt, and existing mortgages that will not be paid off at or before consummation. Creditors have significant flexibility to consider current debt obligations in light of attendant facts and circumstances, including that an obligation is likely to be paid off soon after consummation. For example, a creditor may take into account that an existing mortgage is likely to be paid off soon after consummation because there is an existing contract for sale of the property that secures that mortgage. Similarly, creditors should consider whether debt obligations in forbearance or deferral at the time of underwriting are likely to affect the consumer's ability to repay based on the payment for which the consumer will be liable upon expiration of the forbearance or deferral period and other relevant facts and circumstances, such as when the forbearance or deferral period will expire.
2. **Multiple applicants.** When two or more consumers apply for an extension of credit as joint obligors with primary liability on an obligation, § 1026.43(c)(2)(vi) requires a creditor to consider the debt obligations of all such joint applicants. For example, if a co-applicant is repaying a student loan at the time of underwriting, the creditor complies with § 1026.43(c)(2)(vi) by considering the co-applicant's student loan obligation. If one consumer is merely a surety or guarantor, § 1026.43(c)(2)(vi) does not require a creditor to consider the debt obligations of such surety or guarantor. The requirements of § 1026.43(c)(2)(vi) do not affect the disclosure requirements of this part, such as, for example, §§ 1026.17(d), 1026.23(b), 1026.31(e), 1026.39(b)(3), and 1026.46(f).

Paragraph 43(c)(2)(vii).

1. **Monthly debt-to-income ratio and residual income.** See § 1026.43(c)(7) and its associated commentary regarding the definitions and calculations for the monthly debt-to-income ratio and residual income.

Paragraph 43(c)(2)(viii).

1. **Consideration of credit history.** *“Credit history” may include factors such as the number and age of credit lines, payment history, and any judgments, collections, or bankruptcies. Section 1026.43(c)(2)(viii) does not require creditors to obtain or consider a consolidated credit score or prescribe a minimum credit score that creditors must apply. The rule also does not specify which aspects of credit history a creditor must consider or how various aspects of credit history should be weighed against each other or against other underwriting factors. Some aspects of a consumer's credit history, whether positive or negative, may not be directly indicative of the consumer's ability to repay. A creditor therefore may give various aspects of a consumer's credit history as much or as little weight as is appropriate to reach a reasonable, good faith determination of ability to repay. Where a consumer has obtained few or no extensions of traditional “credit,” as defined in § 1026.2(a)(14), a creditor may, but is not required to, look to nontraditional credit references, such as rental payment history or utility payments.*
2. **Multiple applicants.** *When two or more consumers apply for an extension of credit as joint obligors with primary liability on an obligation, § 1026.43(c)(2)(viii) requires a creditor to consider the credit history of all such joint applicants. If a consumer is merely a surety or guarantor, § 1026.43(c)(2)(viii) does not require a creditor to consider the credit history of such surety or guarantor. The requirements of § 1026.43(c)(2)(viii) do not affect the disclosure requirements of this part, such as, for example, §§ 1026.17(d), 1026.23(b), 1026.31(e), 1026.39(b)(3), and 1026.46(f).*

Pitfalls

1. A single mother earns extra income by Door Dashing while her kids are in school. Will this irregular income be a factor when calculating income?
2. Lender took an application for a husband and wife to purchase a new home. They need a larger house due to the upcoming birth of their fifth child. The wife is a school teacher, and her income is needed to qualify for the loan. Can the loan officer ask her if she will be going back to work after the baby is born?

Section 4:

Repayment Ability Verification Using Third-Party Records 12 CFR § 1026.43(c)(3)

Regulatory Discussion

A creditor **must verify** a consumer's repayment ability using reasonably reliable third-party records.

A creditor **must verify** a consumer's income or assets using the techniques discussed in (c)(4).

If a creditor relies on income from a consumer's employment in determining repayment ability, the creditor **may verify** a consumer's employment status orally if the creditor prepares a record of the information obtained orally.

If a creditor relies on a consumer's credit report to verify a consumer's current debt obligations and a consumer's application states a current debt obligation not shown in the consumer's credit report, the creditor **need not independently verify** such an obligation.

The commentary provides additional guidance on these verifications.

Regulatory Text

(3) **Verification using third-party records.** A creditor must verify the information that the creditor relies on in determining a consumer's repayment ability under §1026.43(c)(2) using reasonably reliable third-party records, except that:

- (i) For purposes of paragraph (c)(2)(i) of this section, a creditor must verify a consumer's income or assets that the creditor relies on in accordance with §1026.43(c)(4);
- (ii) For purposes of paragraph (c)(2)(ii) of this section, a creditor may verify a consumer's employment status orally if the creditor prepares a record of the information obtained orally; and
- (iii) For purposes of paragraph (c)(2)(vi) of this section, if a creditor relies on a consumer's credit report to verify a consumer's current debt obligations and a consumer's application states a current debt obligation not shown in the consumer's credit report, the creditor need not independently verify such an obligation.

Regulatory Commentary

43(c)(3) Verification using third-party records.

1. **Records specific to the individual consumer.** Records a creditor uses for verification under § 1026.43(c)(3) and (4) must be specific to the individual consumer. Records regarding average incomes in the consumer's geographic location or average wages paid by the consumer's employer, for example, are not specific to the individual consumer and are not sufficient for verification.
2. **Obtaining records.** To conduct verification under § 1026.43(c)(3) and (4), a creditor may obtain records from a third-party service provider, such as a party the consumer's employer uses to respond to income verification requests, as long as the records are reasonably reliable and specific to the individual consumer. A creditor also may obtain third-party records directly from the consumer, likewise as long as the records are reasonably reliable and specific to the individual consumer. For example, a creditor using payroll statements to verify the consumer's income, as allowed under § 1026.43(c)(4)(iii), may obtain the payroll statements from the consumer.
3. **Credit report as a reasonably reliable third-party record.** A credit report generally is considered a reasonably reliable third-party record under § 1026.43(c)(3) for purposes of verifying items customarily found on a credit report, such as the consumer's current debt obligations, monthly debts, and credit history. Section 1026.43(c)(3) generally does not require creditors to obtain additional reasonably reliable third-party records to verify information contained in a credit report. For example, if a credit report states the existence and amount of a consumer's debt obligation, the creditor is not required to obtain additional verification of the existence or amount of that obligation. In contrast, a credit report does not serve as a reasonably reliable third-party record for purposes of verifying items that do not appear on the credit report. For example, certain monthly debt obligations, such as legal obligations like alimony or child support, may not be reflected on a credit report. Thus, a credit report that does not list a consumer's monthly alimony obligation does not serve as a reasonably reliable third-party record for purposes of verifying that obligation. If a credit report reflects a current debt obligation that a consumer has not listed on the application, the creditor complies with § 1026.43(c)(3) if the creditor considers the existence and amount of the debt obligation as it is reflected in the credit report. However, in some cases a creditor may know or have reason to know that a credit report may be inaccurate in whole or in part. For example, a creditor may have information indicating that a credit report is subject to a fraud alert, extended alert, active-duty alert, or similar alert identified in 15 U.S.C. 1681c-1 or that a debt obligation listed on a credit report is subject to a statement of dispute pursuant to 15 U.S.C. 1681i(b). A creditor may also have other reasonably reliable third-party records or other information or evidence that the creditor reasonably finds to be reliable that contradict the credit report or otherwise indicate that the credit report is inaccurate. If a creditor knows or has reason to know that a credit report may be inaccurate in whole or in part, the creditor complies with § 1026.43(c)(3) by disregarding an inaccurate or disputed item, items, or credit report, but does not have to obtain additional third-party records. The creditor may also, but is not required, to obtain other reasonably reliable third-party records to verify information with respect to which the credit report, or item therein, may be inaccurate. For example, the creditor might obtain statements or bank records regarding a particular debt obligation subject to a statement of dispute. See also comment 43(c)(3)-6, which describes a situation in which a consumer reports a debt obligation that is not listed on a credit report.

4. **Verification of simultaneous loans.** *Although a credit report may be used to verify current obligations, it will not reflect a simultaneous loan that has not yet been consummated and may not reflect a loan that has just recently been consummated. If the creditor knows or has reason to know that there will be a simultaneous loan extended at or before consummation, the creditor may verify the simultaneous loan by obtaining third-party verification from the third-party creditor of the simultaneous loan. For example, the creditor may obtain a copy of the promissory note or other written verification from the third-party creditor. For further guidance, see comments 43(c)(3)-1 and -2 discussing verification using third-party records.*
5. **Verification of mortgage-related obligations.** *Creditors must make the repayment ability determination required under § 1026.43(c)(2) based on information verified from reasonably reliable records. For general guidance regarding verification see comments 43(c)(3)-1 and -2, which discuss verification using third-party records. With respect to the verification of mortgage-related obligations that are property taxes required to be considered under § 1026.43(c)(2)(v), a record is reasonably reliable if the information in the record was provided by a governmental organization, such as a taxing authority or local government. The creditor complies with § 1026.43(c)(2)(v) by relying on property taxes referenced in the title report if the source of the property tax information was a local taxing authority. With respect to other information in a record provided by an entity assessing charges, such as a homeowners association, the creditor complies with § 1026.43(c)(2)(v) if it relies on homeowners association billing statements provided by the seller. Records are also reasonably reliable if the information in the record was obtained from a valid and legally executed contract. For example, the creditor complies with § 1026.43(c)(2)(v) by relying on the amount of monthly ground rent referenced in the ground rent agreement currently in effect and applicable to the subject property. Records, other than those discussed above, may be reasonably reliable for purposes of § 1026.43(c)(2)(v) if the source provided the information objectively.*
6. **Verification of current debt obligations.** *Section 1026.43(c)(3) does not require creditors to obtain additional records to verify the existence or amount of obligations shown on a consumer's credit report or listed on the consumer's application, absent circumstances described in comment 43(c)(3)-3. Under § 1026.43(c)(3)(iii), if a creditor relies on a consumer's credit report to verify a consumer's current debt obligations and the consumer's application lists a debt obligation not shown on the credit report, the creditor may consider the existence and amount of the obligation as it is stated on the consumer's application. The creditor is not required to further verify the existence or amount of the obligation, absent circumstances described in comment 43(c)(3)-3.*
7. **Verification of credit history.** *To verify credit history, a creditor may, for example, look to credit reports from credit bureaus or to reasonably reliable third-party records that evidence nontraditional credit references, such as evidence of rental payment history or public utility payments.*
8. **Verification of military employment.** *A creditor may verify the employment status of military personnel by using a military Leave and Earnings Statement or by using the electronic database maintained by the Department of Defense to facilitate identification of consumers covered by credit protections provided pursuant to 10 U.S.C. 987.*

Section 5:

Repayment Ability Verification of Income and Assets [12 CFR § 1026.43(c)(4)]

Regulatory Discussion

A creditor **must verify** the amounts of income or assets that the creditor relies on to determine a consumer's ability to repay, using third-party records that provide reasonably reliable evidence of the consumer's income or assets.

A creditor **may verify** the consumer's income using a tax-return transcript (Form 4506) issued by the Internal Revenue Service (IRS).

Other examples of items that may be used:

- Copies of tax returns
- IRS Form W-2s
- Payroll statements, including military Leave and Earnings Statements;
- Financial institution records (such as direct deposit information on statements)
- Records from the consumer's employer
- Records from a Federal, State, or local government agency stating the consumer's income from benefits or entitlements;
- Receipts from the consumer's use of check cashing services
- Receipts from the consumer's use of a funds transfer service.

A creditor making a residential mortgage loan must verify amounts of income or assets that such creditor relies on to determine repayment ability, including expected income or assets, by reviewing the consumer's Internal Revenue Service (IRS) Form W-2, tax returns, payroll receipts, financial institution records, or other third-party documents that provide reasonably reliable evidence of the consumer's income or assets.

In the January 2013 Final Rule, the rule stated that a creditor must verify the amounts of income or assets that the creditor relies on to determine a consumer's ability to repay a covered transaction using third-party records that provide reasonably reliable evidence of the consumer's income or assets. Current language provides that a General QM is a covered transaction for which the creditor considers and verifies at or before consummation all of this information in accordance with the regulation.

The CFPB commentary clarifies that a creditor does not meet the requirements if it observes an inflow of funds into the consumer's account without confirming that the funds qualify as a

consumer's personal income. It states that, for example, a creditor would not meet the requirements where it observes an unidentified \$5,000 deposit in the consumer's account but fails to take any measures to confirm or lacks any basis to conclude that the deposit represents the consumer's personal income and not, for example, proceeds from the disbursement of a loan.

This final rule provides that the creditor must verify the consumer's current or reasonably expected income or assets using third-party records that provide reasonably reliable evidence of the consumer's income or assets

Regulatory Text

(4) **Verification of income or assets.** A creditor must verify the amounts of income or assets that the creditor relies on under §1026.43(c)(2)(i) to determine a consumer's ability to repay a covered transaction using third-party records that provide reasonably reliable evidence of the consumer's income or assets. A creditor may verify the consumer's income using a tax-return transcript issued by the Internal Revenue Service (IRS). Examples of other records the creditor may use to verify the consumer's income or assets include:

- (i) Copies of tax returns the consumer filed with the IRS or a State taxing authority;
- (ii) IRS Form W-2s or similar IRS forms used for reporting wages or tax withholding;
- (iii) Payroll statements, including military Leave and Earnings Statements;
- (iv) Financial institution records;
- (v) Records from the consumer's employer or a third party that obtained information from the employer;
- (vi) Records from a Federal, State, or local government agency stating the consumer's income from benefits or entitlements;
- (vii) Receipts from the consumer's use of check cashing services; and
- (viii) Receipts from the consumer's use of a funds transfer service.

Regulatory Commentary

43(c)(4) Verification of Income or Assets

1. ***Income or assets relied on.*** A creditor need consider, and therefore need verify, only the income or assets the creditor relies on to evaluate the consumer's repayment ability. See comment 43(c)(2)(i)-2. For example, if a consumer's application states that the consumer earns a salary and is paid an annual bonus and the creditor relies on only the consumer's salary to evaluate the consumer's repayment ability, the creditor need verify only the salary. See also comments 43(c)(3)-1 and -2.

2. ***Multiple applicants.*** If multiple consumers jointly apply for a loan and each lists income or assets on the application, the creditor need verify only the income or assets the creditor relies on

in determining repayment ability. See comment 43(c)(2)(i)-5.

3. **Tax-return transcript.** Under § 1026.43(c)(4), a creditor may verify a consumer's income using an Internal Revenue Service (IRS) tax-return transcript, which summarizes the information in a consumer's filed tax return, another record that provides reasonably reliable evidence of the consumer's income, or both. A creditor may obtain a copy of a tax-return transcript or a filed tax return directly from the consumer or from a service provider. A creditor need not obtain the copy directly from the IRS or other taxing authority. See comment 43(c)(3)-2.
4. **Unidentified funds.** A creditor does not meet the requirements of § 1026.43(c)(4) if it observes an inflow of funds into the consumer's account without confirming that the funds are income. For example, a creditor would not meet the requirements of § 1026.43(c)(4) where it observes an unidentified \$5,000 deposit in the consumer's account but fails to take any measures to confirm or lacks any basis to conclude that the deposit represents the consumer's personal income and not, for example, proceeds from the disbursement of a loan.

Paragraph 43(c)(4)(vi).

1. **Government benefits.** In verifying a consumer's income, a creditor may use a written or electronic record from a government agency of the amount of any benefit payments or awards, such as a "proof of income letter" issued by the Social Security Administration (also known as a "budget letter," "benefits letter," or "proof of award letter").

Pitfalls

1. An applicant brings you a pay stub that is 3 months old. Can you use it?
2. An applicant brings you a tax return which they have signed. Are you still permitted to use form 4506 to get their tax return from the federal government? Should you get a form 4506 version from the federal government?

Section 6:

Repayment Ability – Payment Calculation

[12 CFR § 1026.43(c)(5)]

Regulatory Discussion

In general, whether the loan is a fixed-rate, adjustable-rate or step-rate mortgage, the consumer's **monthly payment calculation must be made** using:

- the fully indexed rate or any introductory interest rate, whichever is greater; and
- monthly, fully amortizing payments that are substantially equal.

There are special rules for:

- Loans with a balloon payment, the monthly payment calculation must be made using:
 - The maximum payment scheduled during the first five years for non-HPML
 - The maximum payment in the payment schedule, including the balloon payment, for an HPML
- Interest-only loans, the monthly payment calculation must be made using:
 - The fully indexed rate or any introductory interest rate, whichever is greater
 - Substantially equal, monthly payments of principal and interest that will repay the loan amount over the term of the loan remaining as of the date the loan is switches to payments.
- Negative amortization loans, the monthly payment calculation must be made using:
 - The fully indexed rate or any introductory interest rate, whichever is greater
 - Substantially equal, monthly payments of principal and interest that will repay the maximum loan amount over the term of the loan remaining as of the date the loan reaches the maximum loan amount.

The commentary provides additional important information on these rules.

Regulatory Text

(5) Payment calculation

- (i) **General rule.** Except as provided in paragraph (c)(5)(ii) of this section, a creditor must make the consideration required under paragraph (c)(2)(iii) of this section using:

- (A) The fully indexed rate or any introductory interest rate, whichever is greater; and
 - (B) Monthly, fully amortizing payments that are substantially equal.
- (ii) **Special rules for loans with a balloon payment, interest-only loans, and negative amortization loans.** A creditor must make the consideration required under paragraph (c)(2)(iii) of this section for:
- (A) A loan with a balloon payment, as defined in §1026.18(s)(5)(i), using:
 - (1) The maximum payment scheduled during the first five years after the date on which the first regular periodic payment will be due for a loan that is not a higher-priced covered transaction; or
 - (2) The maximum payment in the payment schedule, including any balloon payment, for a higher-priced covered transaction;
 - (B) An interest-only loan, as defined in §1026.18(s)(7)(iv), using:
 - (1) The fully indexed rate or any introductory interest rate, whichever is greater; and
 - (2) Substantially equal, monthly payments of principal and interest that will repay the loan amount over the term of the loan remaining as of the date the loan is recast.
 - (C) A negative amortization loan, as defined in §1026.18(s)(7)(v), using:
 - (1) The fully indexed rate or any introductory interest rate, whichever is greater; and
 - (2) Substantially equal, monthly payments of principal and interest that will repay the maximum loan amount over the term of the loan remaining as of the date the loan is recast.

Regulatory Commentary

43(c)(5)(i) General rule.

1. **General.** For purposes of § 1026.43(c)(2)(iii), a creditor must determine the consumer's ability to repay the covered transaction using the payment calculation methods set forth in § 1026.43(c)(5). The payment calculation methods differ depending on the type of credit extended. The payment calculation method set forth in § 1026.43(c)(5)(i) applies to any covered transaction that does not have a balloon payment, or that is not an interest-only or negative amortization loan, whether such covered transaction is a fixed-rate, adjustable-rate or step-rate mortgage. The terms "fixed-rate mortgage," "adjustable-rate mortgage," "step-rate mortgage," "interest-only loan" and "negative amortization loan" are defined in § 1026.18(s)(7)(iii), (i), (ii), (iv) and (v), respectively. For the meaning of the term "balloon payment," see § 1026.18(s)(5)(i). The payment calculation methods set forth in § 1026.43(c)(5)(ii) apply to any covered transaction that is a loan with a balloon payment, interest-only loan, or negative amortization loan. See comment 43(c)(5)(i)-5 and the commentary to § 1026.43(c)(5)(ii), which provide examples for calculating the monthly payment for purposes of the repayment ability determination required under § 1026.43(c)(2)(iii).

2. **Greater of the fully indexed rate or introductory rate; premium adjustable-rate transactions.** A creditor must determine a consumer's repayment ability for the covered transaction using substantially equal, monthly, fully amortizing payments that are based on the greater of the fully indexed rate or any introductory interest rate. In some adjustable-rate transactions, creditors may set an initial interest rate that is not determined by the index or formula used to make later interest rate adjustments. Sometimes, this initial rate charged to consumers is lower than the rate would be if it were determined by using the index plus margin, or formula (i.e., fully indexed rate). However, an initial rate that is a premium rate is higher than the rate based on the index or formula. In such cases, creditors must calculate the fully amortizing payment based on the initial "premium" rate. "Fully indexed rate" is defined in § 1026.43(b)(3).
3. **Monthly, fully amortizing payments.** Section 1026.43(c)(5)(i) does not prescribe the terms or loan features that a creditor may choose to offer or extend to a consumer but establishes the calculation method a creditor must use to determine the consumer's repayment ability for a covered transaction. For example, the terms of the loan agreement may require that the consumer repay the loan in quarterly or bi-weekly scheduled payments, but for purposes of the repayment ability determination, the creditor must convert these scheduled payments to monthly payments in accordance with § 1026.43(c)(5)(i)(B). Similarly, the loan agreement may not require the consumer to make fully amortizing payments, but for purposes of the repayment ability determination under § 1026.43(c)(5)(i), the creditor must convert any non-amortizing payments to fully amortizing payments.
4. **Substantially equal.** In determining whether monthly, fully amortizing payments are substantially equal, creditors should disregard minor variations due to payment-schedule irregularities and odd periods, such as a long or short first or last payment period. That is, monthly payments of principal and interest that repay the loan amount over the loan term need not be equal, but the monthly payments should be substantially the same without significant variation in the monthly combined payments of both principal and interest. For example, where no two monthly payments vary from each other by more than 1 percent (excluding odd periods, such as a long or short first or last payment period), such monthly payments would be considered substantially equal for purposes of this section. In general, creditors should determine whether the monthly, fully amortizing payments are substantially equal based on guidance provided in § 1026.17(c)(3) (discussing minor variations), and § 1026.17(c)(4)(i) through (iii) (discussing payment-schedule irregularities and measuring odd periods due to a long or short first period) and associated commentary.
5. **Examples.** The following are examples of how to determine the consumer's repayment ability based on substantially equal, monthly, fully amortizing payments as required under § 1026.43(c)(5)(i) (all amounts shown are rounded, and all amounts are calculated using non-rounded values):
 - i. **Fixed-rate mortgage.** A loan in an amount of \$200,000 has a 30-year loan term and a fixed interest rate of 7 percent. For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a payment of \$1,331, which is the substantially equal, monthly, fully amortizing payment that will repay \$200,000 over 30 years using the fixed interest rate of 7 percent.
 - ii. **Adjustable-rate mortgage with discount for five years.** A loan in an amount of \$200,000 has a 30-year loan term. The loan agreement provides for a discounted interest

rate of 6 percent that is fixed for an initial period of five years, after which the interest rate will adjust annually based on a specified index plus a margin of 3 percent, subject to a 2 percent annual periodic interest rate adjustment cap. The index value in effect at consummation is 4.5 percent; the fully indexed rate is 7.5 percent (4.5 percent plus 3 percent). Even though the scheduled monthly payment required for the first five years is \$1199, for purposes of § 1026.43(c)(2)(iii) the creditor must determine the consumer's ability to repay the loan based on a payment of \$1,398, which is the substantially equal, monthly, fully amortizing payment that will repay \$200,000 over 30 years using the fully indexed rate of 7.5 percent.

- iii. **Step-rate mortgage.** A loan in an amount of \$200,000 has a 30-year loan term. The loan agreement provides that the interest rate will be 6.5 percent for the first two years of the loan, 7 percent for the next three years of the loan, and 7.5 percent thereafter. Accordingly, the scheduled payment amounts are \$1,264 for the first two years, \$1,328 for the next three years, and \$1,388 thereafter for the remainder of the term. For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a payment of \$1,398, which is the substantially equal, monthly, fully amortizing payment that would repay \$200,000 over 30 years using the fully indexed rate of 7.5 percent.

43(c)(5)(ii) Special rules for loans with a balloon payment, interest-only loans, and negative amortization loans.

Paragraph 43(c)(5)(ii)(A).

1. **General.** For loans with a balloon payment, the rules differ depending on whether the loan is a higher-priced covered transaction, as defined under § 1026.43(b)(4), or is not a higher-priced covered transaction because the annual percentage rate does not exceed the applicable threshold calculated using the applicable average prime offer rate (APOR) for a comparable transaction. "Average prime offer rate" is defined in § 1026.35(a)(2); "higher-priced covered transaction" is defined in § 1026.43(b)(4). For higher-priced covered transactions with a balloon payment, the creditor must consider the consumer's ability to repay the loan based on the payment schedule under the terms of the legal obligation, including any required balloon payment. For loans with a balloon payment that are not higher-priced covered transactions, the creditor should use the maximum payment scheduled during the first five years of the loan following the date on which the first regular periodic payment will be due. "Balloon payment" is defined in § 1026.18(s)(5)(i).
2. **First five years after the date on which the first regular periodic payment will be due.** Under § 1026.43(c)(5)(ii)(A)(1), the creditor must determine a consumer's ability to repay a loan with a balloon payment that is not a higher-priced covered transaction using the maximum payment scheduled during the first five years (60 months) after the date on which the first regular periodic payment will be due. To illustrate:
 - i. Assume a loan that provides for regular monthly payments and a balloon payment due at the end of a six-year loan term. The loan is consummated on August 15, 2014, and the first monthly payment is due on October 1, 2014. The first five years after the first monthly payment end on October 1, 2019. The balloon payment must be made on the due date of the 72nd monthly payment, which is September 1, 2020. For purposes of determining the consumer's ability to repay the loan under § 1026.43(c)(2)(iii), the creditor need not consider the balloon payment that is due on September 1, 2020.

ii. Assume a loan that provides for regular monthly payments and a balloon payment due at the end of a five-year loan term. The loan is consummated on August 15, 2014, and the first monthly payment is due on October 1, 2014. The first five years after the first monthly payment end on October 1, 2019. The balloon payment must be made on the due date of the 60th monthly payment, which is September 1, 2019. For purposes of determining the consumer's ability to repay the loan under § 1026.43(c)(2)(iii), the creditor must consider the balloon payment that is due on September 1, 2019.

3. Renewable balloon-payment mortgage; loan term. A balloon-payment mortgage that is not a higher-priced covered transaction could provide that a creditor is unconditionally obligated to renew a balloon-payment mortgage at the consumer's option (or is obligated to renew subject to conditions within the consumer's control). See comment 17(c)(1)-11 discussing renewable balloon-payment mortgages. For purposes of this section, the loan term does not include any period of time that could result from a renewal provision. To illustrate, assume a three-year balloon-payment mortgage that is not a higher-priced covered transaction contains an unconditional obligation to renew for another three years at the consumer's option. In this example, the loan term for the balloon-payment mortgage is three years, and not the potential six years that could result if the consumer chooses to renew the loan. Accordingly, the creditor must underwrite the loan using the maximum payment scheduled in the first five years after consummation, which includes the balloon payment due at the end of the three-year loan term. See comment 43(c)(5)(ii)(A)-4.ii, which provides an example of how to determine the consumer's repayment ability for a three-year renewable balloon-payment mortgage that is not a higher-priced covered transaction.

4. Examples of loans with a balloon payment that are not higher-priced covered transactions. The following are examples of how to determine the maximum payment scheduled during the first five years after the date on which the first regular periodic payment will be due (all amounts shown are rounded, and all amounts are calculated using non-rounded values):

i. **Balloon-payment mortgage with a three-year loan term; fixed interest rate.** A loan agreement provides for a fixed interest rate of 6 percent, which is below the APOR-calculated threshold for a comparable transaction; thus, the loan is not a higher-priced covered transaction. The loan amount is \$200,000, and the loan has a three-year loan term but is amortized over 30 years. The monthly payment scheduled for the first three years following consummation is \$1,199, with a balloon payment of \$193,367 due at the end of the third year. For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on the balloon payment of \$193,367.

ii. **Renewable balloon-payment mortgage with a three-year loan term.** Assume the same facts above in comment 43(c)(5)(ii)(A)-4.i, except that the loan agreement also provides that the creditor is unconditionally obligated to renew the balloon-payment mortgage at the consumer's option at the end of the three-year term for another three years. In determining the maximum payment scheduled during the first five years after the date on which the first regular periodic payment will be due, the creditor must use a loan term of three years. Accordingly, for purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on the balloon payment of \$193,367.

iii. **Balloon-payment mortgage with a six-year loan term; fixed interest rate.** A loan provides for a fixed interest rate of 6 percent, which is below the APOR threshold for a

comparable transaction, and thus, the loan is not a higher-priced covered transaction. The loan amount is \$200,000, and the loan has a six-year loan term but is amortized over 30 years. The loan is consummated on March 15, 2014, and the monthly payment scheduled for the first six years following consummation is \$1,199, with the first monthly payment due on May 1, 2014. The first five years after the date on which the first regular periodic payment will be due end on May 1, 2019. The balloon payment of \$183,995 is required on the due date of the 72nd monthly payment, which is April 1, 2020 (more than five years after the date on which the first regular periodic payment will be due). For purposes of § 1026.43(c)(2)(iii), the creditor may determine the consumer's ability to repay the loan based on the monthly payment of \$1,199, and need not consider the balloon payment of \$183,995 due on April 1, 2020.

- 5. Higher-priced covered transaction with a balloon payment.** Where a loan with a balloon payment is a higher-priced covered transaction, the creditor must determine the consumer's repayment ability based on the loan's payment schedule, including any balloon payment. For example (all amounts are rounded): Assume a higher-priced covered transaction with a fixed interest rate of 7 percent. The loan amount is \$200,000 and the loan has a ten-year loan term but is amortized over 30 years. The monthly payment scheduled for the first ten years is \$1,331, with a balloon payment of \$172,955. For purposes of § 1026.43(c)(2)(iii), the creditor must consider the consumer's ability to repay the loan based on the payment schedule that fully repays the loan amount, including the balloon payment of \$172,955.

Paragraph 43(c)(5)(ii)(B).

- 1. General.** For loans that permit interest-only payments, the creditor must use the fully indexed rate or introductory rate, whichever is greater, to calculate the substantially equal, monthly payment of principal and interest that will repay the loan amount over the term of the loan remaining as of the date the loan is recast. For discussion regarding the fully indexed rate, and the meaning of "substantially equal," see comments 43(b)(3)-1 through -5 and 43(c)(5)(i)-4, respectively. Under § 1026.43(c)(5)(ii)(B), the relevant term of the loan is the period of time that remains as of the date the loan is recast to require fully amortizing payments. For a loan on which only interest and no principal has been paid, the loan amount will be the outstanding principal balance at the time of the recast. "Loan amount" and "recast" are defined in § 1026.43(b)(5) and (b)(11), respectively. "Interest-only" and "Interest-only loan" are defined in § 1026.18(s)(7)(iv).
- 2. Examples.** The following are examples of how to determine the consumer's repayment ability based on substantially equal, monthly payments of principal and interest under § 1026.43(c)(5)(ii)(B) (all amounts shown are rounded, and all amounts are calculated using non-rounded values):
 - i. Fixed-rate mortgage with interest-only payments for five years.** A loan in an amount of \$200,000 has a 30-year loan term. The loan agreement provides for a fixed interest rate of 7 percent and permits interest-only payments for the first five years. The monthly payment of \$1,167 scheduled for the first five years would cover only the interest due. The loan is recast on the due date of the 60th monthly payment, after which the scheduled monthly payments increase to \$1,414, a monthly payment that repays the loan amount of \$200,000 over the 25 years remaining as of the date the loan is recast (300 months). For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a payment of \$1,414, which is the substantially equal, monthly, fully amortizing

payment that would repay \$200,000 over the 25 years remaining as of the date the loan is recast using the fixed interest rate of 7 percent.

- ii. Adjustable-rate mortgage with discount for three years and interest-only payments for five years.** A loan in an amount of \$200,000 has a 30-year loan term but provides for interest-only payments for the first five years. The loan agreement provides for a discounted interest rate of 5 percent that is fixed for an initial period of three years, after which the interest rate will adjust each year based on a specified index plus a margin of 3 percent, subject to an annual interest rate adjustment cap of 2 percent. The index value in effect at consummation is 4.5 percent; the fully indexed rate is 7.5 percent (4.5 percent plus 3 percent). The monthly payments for the first three years are \$833. For the fourth year, the payments are \$1,167, based on an interest rate of 7 percent, calculated by adding the 2 percent annual adjustment cap to the initial rate of 5 percent. For the fifth year, the payments are \$1,250, applying the fully indexed rate of 7.5 percent. These first five years of payments will cover only the interest due. The loan is recast on the due date of the 60th monthly payment, after which the scheduled monthly payments increase to \$1,478, a monthly payment that will repay the loan amount of \$200,000 over the remaining 25 years of the loan (300 months). For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a monthly payment of \$1,478, which is the substantially equal, monthly payment of principal and interest that would repay \$200,000 over the 25 years remaining as of the date the loan is recast using the fully indexed rate of 7.5 percent.

Paragraph 43(c)(5)(ii)(C).

1. **General.** For purposes of determining the consumer's ability to repay a negative amortization loan, the creditor must use substantially equal, monthly payments of principal and interest based on the fully indexed rate or the introductory rate, whichever is greater, that will repay the maximum loan amount over the term of the loan that remains as of the date the loan is recast. Accordingly, before determining the substantially equal monthly payments the creditor must first determine the maximum loan amount and the period of time that remains in the loan term after the loan is recast. "Recast" is defined in § 1026.43(b)(11). Second, the creditor must use the fully indexed rate or introductory rate, whichever is greater, to calculate the substantially equal, monthly payment amount that will repay the maximum loan amount over the term of the loan remaining as of the date the loan is recast. For discussion regarding the fully indexed rate and the meaning of "substantially equal," see comments 43(b)(3)-1 through -5 and 43(c)(5)(i)-4, respectively. For the meaning of the term "maximum loan amount" and a discussion of how to determine the maximum loan amount for purposes of § 1026.43(c)(5)(ii)(C), see § 1026.43(b)(7) and associated commentary. "Negative amortization loan" is defined in § 1026.18(s)(7)(v).
2. **Term of loan.** Under § 1026.43(c)(5)(ii)(C), the relevant term of the loan is the period of time that remains as of the date the terms of the legal obligation recast. That is, the creditor must determine substantially equal, monthly payments of principal and interest that will repay the maximum loan amount based on the period of time that remains after any negative amortization cap is triggered or any period permitting minimum periodic payments expires, whichever occurs first.
3. **Examples.** The following are examples of how to determine the consumer's repayment ability based on substantially equal, monthly payments of principal and interest as required under

§ 1026.43(c)(5)(ii)(C) (all amounts shown are rounded, and all amounts are calculated using non-rounded values):

i. Adjustable-rate mortgage with negative amortization.

- A. Assume an adjustable-rate mortgage in the amount of \$200,000 with a 30-year loan term. The loan agreement provides that the consumer can make minimum monthly payments that cover only part of the interest accrued each month until the date on which the principal balance reaches 115 percent of its original balance (i.e., a negative amortization cap of 115 percent) or for the first five years of the loan (60 monthly payments), whichever occurs first. The introductory interest rate at consummation is 1.5 percent. One month after consummation, the interest rate adjusts and will adjust monthly thereafter based on the specified index plus a margin of 3.5 percent. The index value in effect at consummation is 4.5 percent; the fully indexed rate is 8 percent (4.5 percent plus 3.5 percent). The maximum lifetime interest rate is 10.5 percent; there are no other periodic interest rate adjustment caps that limit how quickly the maximum lifetime rate may be reached. The minimum monthly payment for the first year is based on the initial interest rate of 1.5 percent. After that, the minimum monthly payment adjusts annually, but may increase by no more than 7.5 percent over the previous year's payment. The minimum monthly payment is \$690 in the first year, \$742 in the second year, and \$797 in the first part of the third year.
- B. To determine the maximum loan amount, assume that the interest rate increases to the maximum lifetime interest rate of 10.5 percent at the first adjustment (i.e., the due date of the first periodic monthly payment), and interest accrues at that rate until the loan is recast. Assume that the consumer makes the minimum monthly payments scheduled, which are capped at 7.5 percent from year-to-year, for the maximum possible time. Because the consumer's minimum monthly payments are less than the interest accrued each month, negative amortization occurs (i.e., the accrued but unpaid interest is added to the principal balance). Thus, assuming that the consumer makes the minimum monthly payments for as long as possible and that the maximum interest rate of 10.5 percent is reached at the first-rate adjustment (i.e., the due date of the first periodic monthly payment), the negative amortization cap of 115 percent is reached on the due date of the 27th monthly payment and the loan is recast as of that date. The maximum loan amount as of the due date of the 27th monthly payment is \$229,251, and the remaining term of the loan is 27 years and nine months (333 months).
- C. For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a monthly payment of \$1,716, which is the substantially equal, monthly payment of principal and interest that will repay the maximum loan amount of \$229,251 over the remaining loan term of 333 months using the fully indexed rate of 8 percent. See comments 43(b)(7)-1 and -2 discussing the calculation of the maximum loan amount, and § 1026.43(b)(11) for the meaning of the term "recast."
- ii. **Fixed-rate, graduated payment mortgage.** A loan in the amount of \$200,000 has a 30-year loan term. The loan agreement provides for a fixed interest rate of 7.5 percent and requires the consumer to make minimum monthly payments during the first year, with payments increasing 12.5 percent over the previous year every year for four years (the annual payment cap). The payment schedule provides for payments of \$943 in the first year, \$1,061 in the second year, \$1,193 in the third year, \$1,343 in the fourth year, and then requires

\$1,511 for the remaining term of the loan. During the first three years of the loan, the payments are less than the interest accrued each month, resulting in negative amortization. Assuming the minimum payments increase year-to-year up to the 12.5 percent payment cap, the consumer will begin making payments that cover at least all of the interest accrued at the end of the third year. Thus, the loan is recast on the due date of the 36th monthly payment. The maximum loan amount on that date is \$207,662, and the remaining loan term is 27 years (324 months). For purposes of § 1026.43(c)(2)(iii), the creditor must determine the consumer's ability to repay the loan based on a monthly payment of \$1,497, which is the substantially equal, monthly payment of principal and interest that will repay the maximum loan amount of \$207,662 over the remaining loan term of 27 years using the fixed interest rate of 7.5 percent.

Section 7:

Repayment Ability

Payment Calculation for Simultaneous Loans

[12 CFR § 1026.43(c)(6)]

Regulatory Discussion

When calculating a consumer's monthly payment in accordance with paragraph (c)(5), a creditor must consider the consumer's payment on any simultaneous loan either:

- For a "covered transaction" (any consumer credit transaction that is secured by a dwelling), by following the rules in paragraph (c)(5); or
- For a HELOC, by using the payment required by the HELOC and the amount of the "covered transaction."

Regulatory Text

(6) **Payment calculation for simultaneous loans.** For purposes of making the evaluation required under paragraph (c)(2)(iv) of this section, a creditor must consider, taking into account any mortgage-related obligations, a consumer's payment on a simultaneous loan that is:

- (i) A covered transaction, by following paragraph (c)(5) of this section; or
- (ii) A home equity line of credit subject to §1026.40, by using the periodic payment required under the terms of the plan and the amount of credit to be drawn at or before consummation of the covered transaction.

Regulatory Commentary

43(c)(6) Payment calculation for simultaneous loans.

1. **Scope.** *In determining the consumer's repayment ability for a covered transaction under §1026.43(c)(2)(iii), a creditor must include consideration of any simultaneous loan which it knows, or has reason to know, will be made at or before consummation of the covered transaction. For a discussion of the standard "knows or has reason to know," see comment 43(c)(2)(iv)-2. For the meaning of the term "simultaneous loan," see §1026.43(b)(12).*
2. **Payment calculation - covered transaction.** *For a simultaneous loan that is a covered transaction, as that term is defined under §1026.43(b)(1), a creditor must determine a consumer's ability to repay the monthly payment obligation for a simultaneous loan as set forth in §1026.43(c)(5), taking into account any mortgage-related obligations required to be*

considered under §1026.43(c)(2)(v). For the meaning of the term “mortgage-related obligations,” see §1026.43(b)(8).

3. **Payment calculation - home equity line of credit.** For a simultaneous loan that is a home equity line of credit subject to §1026.40, the creditor must consider the periodic payment required under the terms of the plan when assessing the consumer's ability to repay the covered transaction secured by the same dwelling as the simultaneous loan. Under §1026.43(c)(6)(ii), a creditor must determine the periodic payment required under the terms of the plan by considering the actual amount of credit to be drawn by the consumer at consummation of the covered transaction. The amount to be drawn is the amount requested by the consumer; when the amount requested will be disbursed, or actual receipt of funds, is not determinative. Any additional draw against the line of credit that the creditor of the covered transaction does not know or have reason to know about before or during underwriting need not be considered in relation to ability to repay. For example, where the creditor's policies and procedures require the source of down payment to be verified, and the creditor verifies that a simultaneous loan that is a HELOC will provide the source of down payment for the first lien covered transaction, the creditor must consider the periodic payment on the HELOC by assuming the amount drawn is at least the down payment amount. In general, a creditor should determine the periodic payment based on guidance in the commentary to §1026.40(d)(5) (discussing payment terms).

Pitfalls

1. An applicant makes it clear that the second mortgage HELOC for which they are applying contemporaneously with a new first mortgage will be used to buy a boat, which will fully advance the HELOC. How would you calculate the payment?

Section 8:

Repayment Ability – DTI/Residual Income

[12 CFR § 1026.43(c)(7)]

Regulatory Discussion

If a creditor considers the consumer's monthly debt-to-income ratio, the creditor must consider the ratio of the consumer's "total monthly debt obligations" to the consumer's "total monthly income."

If a creditor considers the consumer's monthly residual income the creditor must consider the consumer's remaining income after subtracting the consumer's "total monthly debt obligations" from the "total monthly income."

Definitions are provided for:

- Total monthly debt obligations.
- Total monthly income

The commentary provides additional considerations.

Regulatory Text

(7) Monthly debt-to-income ratio or residual income

(i) **Definitions.** For purposes of this paragraph (c)(7), the following definitions apply:

(A) **Total monthly debt obligations.** The term *total monthly debt obligations* means the sum of: the payment on the covered transaction, as required to be calculated by paragraphs (c)(2)(iii) and (c)(5) of this section; simultaneous loans, as required by paragraphs (c)(2)(iv) and (c)(6) of this section; mortgage-related obligations, as required by paragraph (c)(2)(v) of this section; and current debt obligations, alimony, and child support, as required by paragraph (c)(2)(vi) of this section.

(B) **Total monthly income.** The term *total monthly income* means the sum of the consumer's current or reasonably expected income, including any income from assets, as required by paragraphs (c)(2)(i) and (c)(4) of this section.

(ii) **Calculations**

(A) **Monthly debt-to-income ratio.** If a creditor considers the consumer's monthly debt-to-income ratio under paragraph (c)(2)(vii) of this section, the creditor must consider the ratio of the consumer's total monthly debt obligations to the consumer's total monthly income.

(B) **Monthly residual income.** If a creditor considers the consumer's monthly residual

income under paragraph (c)(2)(vii) of this section, the creditor must consider the consumer's remaining income after subtracting the consumer's total monthly debt obligations from the consumer's total monthly income.

Regulatory Commentary

43(c)(7) Monthly debt-to-income ratio or residual income.

- 1. **Monthly debt-to-income ratio or monthly residual income.** Under § 1026.43(c)(2)(vii), the creditor must consider the consumer's monthly debt-to-income ratio, or the consumer's monthly residual income, in accordance with the requirements in § 1026.43(c)(7). Section 1026.43(c) does not prescribe a specific monthly debt-to-income ratio with which creditors must comply. Instead, an appropriate threshold for a consumer's monthly debt-to-income ratio or monthly residual income is for the creditor to determine in making a reasonable and good faith determination of a consumer's ability to repay.*
- 2. **Use of both monthly debt-to-income ratio and monthly residual income.** If a creditor considers the consumer's monthly debt-to-income ratio, the creditor may also consider the consumer's residual income as further validation of the assessment made using the consumer's monthly debt-to-income ratio.*
- 3. **Compensating factors.** The creditor may consider factors in addition to the monthly debt-to-income ratio or residual income in assessing a consumer's repayment ability. For example, the creditor may reasonably and in good faith determine that a consumer has the ability to repay despite a higher debt-to-income ratio or lower residual income in light of the consumer's assets other than the dwelling, including any real property attached to the dwelling, securing the covered transaction, such as a savings account. The creditor may also reasonably and in good faith determine that a consumer has the ability to repay despite a higher debt-to-income ratio in light of the consumer's residual income.*

Evaluating Applications

Section 1: Rules Concerning Evaluation of Applications 12 CFR § 1002.6

General Rule Concerning Use of Information – 12 CFR §1002.6(a)

Regulatory Discussion

This section governs how the information collected in an application may be used to evaluate creditworthiness. In general, a creditor may consider any information obtained in an application, so long as the information is not used to discriminate on a prohibited basis.

When Congress passed the ECOA, it intended to apply an “effects test” concept to a creditor’s determination of creditworthiness. In essence, *a creditor practice that is discriminatory in effect is prohibited* because it has a disproportionately negative impact on a prohibited basis. For example, requiring that applicants have income in excess of a certain amount to qualify for an overdraft line of credit could mean that women and minority applicants will be rejected at a higher rate than men and nonminority applicants.

Regulatory Text

- (a) **General rule concerning use of information.** Except as otherwise provided in the Act and this part, a creditor may consider any information obtained, so long as the information is not used to discriminate against an applicant on a prohibited basis. The legislative history of the Act indicates that the Congress intended an “effects test” concept, as outlined in the employment field by the Supreme Court in the cases of *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971), and *Albemarle Paper Co. v. Moody*, 422 U.S. 405 (1975), to be applicable to a creditor’s determination of creditworthiness.

Regulatory Commentary

6(a) General rule concerning use of information.

1. **General.** *When evaluating an application for credit, a creditor generally may consider any information obtained. However, a creditor may not consider in its evaluation of creditworthiness any information that it is barred by §1002.5 from obtaining or from using for any purpose other than to conduct a self-test under §1002.15.*
2. **Effects test.** *The effects test is a judicial doctrine that was developed in a series of employment cases decided by the U.S. Supreme Court under title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.) and the burdens of proof for such employment cases were codified by Congress in the Civil Rights Act of 1991 (42 U.S.C. 2000e-2). Congressional intent that this doctrine apply to the credit area is documented in the Senate Report that accompanied H.R.*

6516, No. 94-589, pp. 4-5; and in the House Report that accompanied H.R. 6516, No. 94-210, p.5. The Act and regulation may prohibit a creditor practice that is discriminatory in effect because it has a disproportionately negative impact on a prohibited basis, even though the creditor has no intent to discriminate and the practice appears neutral on its face, unless the creditor practice meets a legitimate business need that cannot reasonably be achieved as well by means that are less disparate in their impact. For example, requiring that applicants have income in excess of a certain amount to qualify for an overdraft line of credit could mean that women and minority applicants will be rejected at a higher rate than men and nonminority applicants. If there is a demonstrable relationship between the income requirement and creditworthiness for the level of credit involved, however, use of the income standard would likely be permissible.

Specific Rules Concerning Use of Information – 12 CFR §1002.6(b)(1)

Regulatory Discussion

In general, except for *special purpose credit programs* (see Section 8 of this manual), a creditor shall not discriminate, on a prohibited basis, in the evaluation of an applicant's creditworthiness.

Paragraphs (b)(2) through (b)(9) provide specific rules on the following information:

- Age and receipt of public assistance
- Childbearing and childrearing
- Telephone listing
- Income
- Credit history
- Immigration status
- Marital status
- Race, color, national origin, sex (GMI), and religion

Regulatory Text

(b) Specific rules concerning use of information.

- (1) Except as provided in the Act and this part, a creditor shall not take a prohibited basis into account in any system of evaluating the creditworthiness of applicants.

Regulatory Commentary

Paragraph 6(b)(1).

1. ***Prohibited basis - special purpose credit.*** *In a special purpose credit program, a creditor may consider a prohibited basis to determine whether the applicant possesses a characteristic needed for eligibility. (See §1002.8.)*

Age and Receipt of Public Assistance – 12 CFR §1002.6(b)(2)

Regulatory Discussion

Generally, a creditor shall not take into consideration an applicant's age (subject to capacity to contract) or whether income is derived from any public assistance program. There are three exceptions; a creditor may consider:

- An applicant's age as a predictive variable in an empirically derived credit scoring system provided the age of an elderly (age 62 or older) applicant is not assigned a negative factor or value.
- An applicant's age or whether income is derived from any public assistance program, in a judgmental system of evaluating creditworthiness – only for the purpose of determining a pertinent element of creditworthiness.
- The age of an elderly (age 62 or older) applicant – when such age is used to favor the applicant.

As a special note, banks should beware of developing “seniors account” packages that offer advantageous credit incentives when the minimum age to have the package is less than 62.

As the examples in commentary illustrate, the evaluation must be made in an individualized, case-by-case manner. It is impermissible for a creditor, in deciding whether to extend credit or in setting the terms and conditions, to base its decision on age or information related exclusively to age. Age or age-related information may be considered only in evaluating other “pertinent elements of creditworthiness” that are drawn from the particular facts and circumstances concerning the applicant.

Regulatory Text

(b) Specific rules concerning use of information.

(2) Age, receipt of public assistance.

- (i) Except as permitted in this paragraph, a creditor shall not take into account an applicant's age (provided that the applicant has the capacity to enter into a binding contract) or whether an applicant's income derives from any public assistance program.
- (ii) In an empirically derived, demonstrably and statistically sound, credit scoring system, a creditor may use an applicant's age as a predictive variable, provided that the age of an elderly applicant is not assigned a negative factor or value.
- (iii) In a judgmental system of evaluating creditworthiness, a creditor may consider an applicant's age or whether an applicant's income derives from any public assistance program only for the purpose of determining a pertinent element of creditworthiness.
- (iv) In any system of evaluating creditworthiness, a creditor may consider the age of an elderly applicant when such age is used to favor the elderly applicant in extending credit.

Regulatory Commentary

Paragraph 6(b)(2).

1. **Favoring the elderly.** Any system of evaluating creditworthiness may favor a credit applicant who is age 62 or older. A credit program that offers more favorable credit terms to applicants age 62 or older is also permissible; a program that offers more favorable credit terms to applicants at an age lower than 62 is permissible only if it meets the special-purpose credit requirements of §1002.8.
2. **Consideration of age in a credit scoring system.** Age may be taken directly into account in a credit scoring system that is “demonstrably and statistically sound,” as defined in §1002.2(p), with one limitation: Applicants age 62 years or older must be treated at least as favorably as applicants who are under age 62. If age is scored by assigning points to an applicant's age category, elderly applicants must receive the same or a greater number of points as the most favored class of nonelderly applicants.
 - i. **Age-split scorecards.** Some credit systems segment the population and use different scorecards based on the age of an applicant. In such a system, one card may cover a narrow age range (for example, applicants in their twenties or younger) who are evaluated under attributes predictive for that age group. A second card may cover all other applicants, who are evaluated under the attributes predictive for that broader class. When a system uses a card covering a wide age range that encompasses elderly applicants, the credit scoring system is not deemed to score age. Thus, the system does not raise the issue of assigning a negative factor or value to the age of elderly applicants. But if a system segments the population by age into multiple scorecards, and includes elderly applicants in a narrower age range, the credit scoring system does score age. To comply with the Act and regulation in such a case, the creditor must ensure that the system does not assign a negative factor or value to the age of elderly applicants as a class.
3. **Consideration of age in a judgmental system.** In a judgmental system, defined in §1002.2(t), a creditor may not decide whether to extend credit or set the terms and conditions of credit based on age or information related exclusively to age. Age or age-related information may be considered only in evaluating other “pertinent elements of creditworthiness” that are drawn from the particular facts and circumstances concerning the applicant. For example, a creditor may not reject an application or terminate an account because the applicant is 60 years old. But a creditor that uses a judgmental system may relate the applicant's age to other information about the applicant that the creditor considers in evaluating creditworthiness. As the following examples illustrate, the evaluation must be made in an individualized, case-by-case manner:
 - i. A creditor may consider the applicant's occupation and length of time to retirement to ascertain whether the applicant's income (including retirement income) will support the extension of credit to its maturity.
 - ii. A creditor may consider the adequacy of any security offered when the term of the credit extension exceeds the life expectancy of the applicant and the cost of realizing on the collateral could exceed the applicant's equity. An elderly applicant might not qualify for a 5 percent down, 30-year mortgage loan but might qualify with a larger downpayment or a shorter loan maturity.
 - iii. A creditor may consider the applicant's age to assess the significance of length of employment (a young applicant may have just entered the job market) or length of time at an address

(an elderly applicant may recently have retired and moved from a long-term residence).

4. **Consideration of age in a reverse mortgage.** A reverse mortgage is a home-secured loan in which the borrower receives payments from the creditor, and does not become obligated to repay these amounts (other than in the case of default) until the borrower dies, moves permanently from the home, or transfers title to the home, or upon a specified maturity date. Disbursements to the borrower under a reverse mortgage typically are determined by considering the value of the borrower's home, the current interest rate, and the borrower's life expectancy. A reverse mortgage program that requires borrowers to be age 62 or older is permissible under §1002.6(b)(2)(iv). In addition, under §1002.6(b)(2)(iii), a creditor may consider a borrower's age to evaluate a pertinent element of creditworthiness, such as the amount of the credit or monthly payments that the borrower will receive, or the estimated repayment date.
5. **Consideration of age in a combined system.** A creditor using a credit scoring system that qualifies as “empirically derived” under §1002.2(p) may consider other factors (such as a credit report or the applicant's cash flow) on a judgmental basis. Doing so will not negate the classification of the credit scoring component of the combined system as “demonstrably and statistically sound.” While age could be used in the credit scoring portion, however, in the judgmental portion age may not be considered directly. It may be used only for the purpose of determining a “pertinent element of creditworthiness.” (See comment 6(b)(2)-3.)
6. **Consideration of public assistance.** When considering income derived from a public assistance program, a creditor may take into account, for example:
 - i. The length of time an applicant will likely remain eligible to receive such income.
 - ii. Whether the applicant will continue to qualify for benefits based on the status of the applicant's dependents (as in the case of Temporary Aid to Needy Families, or social security payments to a minor).
 - iii. Whether the creditor can attach or garnish the income to assure payment of the debt in the event of default.

Childbearing and Childrearing – 12 CFR §1002.6(b)(3)

Regulatory Discussion

A creditor is prohibited, *without exception*, from making assumptions, or using statistics, regarding childbearing or childrearing practices, intentions or capabilities, in evaluating creditworthiness.

Regulatory Text

(b) Specific rules concerning use of information.

- (3) **Childbearing, childrearing.** In evaluating creditworthiness, a creditor shall not make assumptions or use aggregate statistics relating to the likelihood that any category of persons will bear or rear children or will, for that reason, receive diminished or interrupted

income in the future.

Regulatory Commentary

None.

Telephone Listing – 12 CFR §1002.6(b)(4)

Regulatory Discussion

A creditor is prohibited from taking into account whether there is a telephone listing in the applicant's name for consumer credit; however, a creditor may consider whether there is a telephone in the applicant's residence.

Regulatory Text

(b) Specific rules concerning use of information.

- (4) **Telephone listing.** A creditor shall not take into account whether there is a telephone listing in the name of an applicant for consumer credit but may take into account whether there is a telephone in the applicant's residence.

Regulatory Commentary

None.

Income – 12 CFR §1002.6(b)(5)

Regulatory Discussion

A creditor shall not discount, or exclude from consideration, income because of a prohibited basis or because the income is derived from part-time employment, an annuity, pension, or other retirement benefit. However, a creditor may consider the amount and probable continuance of any income in evaluating creditworthiness.

A creditor shall consider alimony, child support, or separate maintenance payments as income (to the extent such payments are likely to be consistently made) when an applicant relies on such payments when applying for credit.

Creditors are also obligated to consider whether a source of income is taxable under Federal law. For example, if a customer is in a 20 percent bracket for income tax purposes, \$1,000 in non-

taxable income equates to \$1,200 in taxable income. Each institution must determine a factor for conversion of non-taxable income into taxable income equivalent. This process is known as “grossing up” the income. As income must be treated consistently by each institution, grossing up must occur before the calculation of any debt-to-income ratios.

The commentary provides additional guidance with respect to consideration of income.

Regulatory Text

(b) Specific rules concerning use of information.

- (5) **Income.** A creditor shall not discount or exclude from consideration the income of an applicant or the spouse of an applicant because of a prohibited basis or because the income is derived from part-time employment or is an annuity, pension, or other retirement benefit; a creditor may consider the amount and probable continuance of any income in evaluating an applicant's creditworthiness. When an applicant relies on alimony, child support, or separate maintenance payments in applying for credit, the creditor shall consider such payments as income to the extent that they are likely to be consistently made.

Regulatory Commentary

Paragraph 6(b)(5).

1. **Consideration of an individual applicant.** *A creditor must evaluate income derived from part-time employment, alimony, child support, separate maintenance payments, retirement benefits, or public assistance on an individual basis, not on the basis of aggregate statistics; and must assess its reliability or unreliability by analyzing the applicant's actual circumstances, not by analyzing statistical measures derived from a group.*
2. **Payments consistently made.** *In determining the likelihood of consistent payments of alimony, child support, or separate maintenance, a creditor may consider factors such as whether payments are received pursuant to a written agreement or court decree; the length of time that the payments have been received; whether the payments are regularly received by the applicant; the availability of court or other procedures to compel payment; and the creditworthiness of the payor, including the credit history of the payor when it is available to the creditor.*
3. **Consideration of income.**
 - i. *A creditor need not consider income at all in evaluating creditworthiness. If a creditor does consider income, there are several acceptable methods, whether in a credit scoring or a judgmental system:*
 - A. *A creditor may score or take into account the total sum of all income stated by the applicant without taking steps to evaluate the income for reliability.*
 - B. *A creditor may evaluate each component of the applicant's income, and then score or take into account income determined to be reliable separately from other income; or the creditor may disregard that portion of income that is not reliable when it aggregates reliable income.*

C. A creditor that does not evaluate all income components for reliability must treat as reliable any component of protected income that is not evaluated.

ii. In considering the separate components of an applicant's income, the creditor may not automatically discount or exclude from consideration any protected income. Any discounting or exclusion must be based on the applicant's actual circumstances.

4. Part-time employment, sources of income. *A creditor may score or take into account the fact that an applicant has more than one source of earned income—a full-time and a part-time job or two part-time jobs. A creditor may also score or treat earned income from a secondary source differently than earned income from a primary source. The creditor may not, however, score or otherwise take into account the number of sources for income such as retirement income, social security, supplemental security income, and alimony. Nor may the creditor treat negatively the fact that an applicant's only earned income is derived from, for example, a part-time job.*

Credit History – 12 CFR §1002.6(b)(6)

Regulatory Discussion

There are three factors a creditor must consider when using an applicant's credit history in evaluating creditworthiness:

- When available, *the credit history of accounts the applicant is (and spouse are) permitted to use* (or for which both are contractually liable).
- When requested, *any information provided by the applicant that indicates the credit history being considered by the creditor does not accurately reflect the applicant's creditworthiness.*
- When requested, *the credit history (when available) of any account reported in the name of the applicant's spouse (or former spouse) that demonstrates accurately the applicant's creditworthiness.*

See the commentary for guidance on “*types of credit references.*”

Regulatory Text

(b) Specific rules concerning use of information.

(6) Credit history. To the extent that a creditor considers credit history in evaluating the creditworthiness of similarly qualified applicants for a similar type and amount of credit, in evaluating an applicant's creditworthiness a creditor shall consider:

- (i) The credit history, when available, of accounts designated as accounts that the applicant and the applicant's spouse are permitted to use or for which both are contractually liable;
- (ii) On the applicant's request, any information the applicant may present that tends to indicate the credit history being considered by the creditor does not accurately reflect

the applicant's creditworthiness; and

- (iii) On the applicant's request, the credit history, when available, of any account reported in the name of the applicant's spouse or former spouse that the applicant can demonstrate accurately reflects the applicant's creditworthiness.

Regulatory Commentary

Paragraph 6(b)(6).

1. ***Types of credit references.*** A creditor may restrict the types of credit history and credit references that it will consider, provided that the restrictions are applied to all credit applicants without regard to sex, marital status, or any other prohibited basis. On the applicant's request, however, a creditor must consider credit information not reported through a credit bureau when the information relates to the same types of credit references and history that the creditor would consider if reported through a credit bureau.

Immigration Status – 12 CFR §1002.6(b)(7)

Regulatory Discussion

A creditor may consider an applicant's immigration, or permanent resident, status when evaluating creditworthiness as well as rights and remedies regarding repayment.

The commentary provides additional guidance on the differentiation between national origin, immigration status, and citizenship.

Regulatory Text

(b) Specific rules concerning use of information.

- (7) **Immigration status.** A creditor may consider the applicant's immigration status or status as a permanent resident of the United States, and any additional information that may be necessary to ascertain the creditor's rights and remedies regarding repayment.

Regulatory Commentary

Paragraph 6(b)(7).

1. ***National origin - immigration status.*** The applicant's immigration status and ties to the community (such as employment and continued residence in the area) could have a bearing on a creditor's ability to obtain repayment. Accordingly, the creditor may consider immigration status and differentiate, for example, between a noncitizen who is a long-time resident with permanent resident status and a noncitizen who is temporarily in this country on a student

visa.

2. **National origin - citizenship.** *A denial of credit on the ground that an applicant is not a United States citizen is not per se discrimination based on national origin.*

Marital Status – 12 CFR §1002.6(b)(8)

Regulatory Discussion

The rule for marital status requires a creditor to evaluate the creditworthiness of:

- *married and unmarried applicants* using the same standards; and
- *joint applicants* without regard of the existence, absence, or likelihood of a marital relationship between the parties.

The commentary, however, allows the creditor to consider marital status to ascertain rights and remedies.

Regulatory Text

(b) Specific rules concerning use of information.

- (8) **Marital status.** Except as otherwise permitted or required by law, a creditor shall evaluate married and unmarried applicants by the same standards; and in evaluating joint applicants, a creditor shall not treat applicants differently based on the existence, absence, or likelihood of a marital relationship between the parties.

Regulatory Commentary

Paragraph 6(b)(8).

1. **Prohibited basis - marital status.** *A creditor may consider the marital status of an applicant or joint applicant for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit. For example, in a secured transaction involving real property, a creditor could take into account whether state law gives the applicant's spouse an interest in the property being offered as collateral.*

GMI and Religion – 12 CFR §1002.6(b)(9)

Regulatory Discussion

The rule for race, color, national origin, sex (GMI), and religion prohibits a creditor to consider these factors *in any aspect of a credit transaction*.

Regulatory Text

(b) Specific rules concerning use of information.

- (9) **Race, color, religion, national origin, sex.** Except as otherwise permitted or required by law, a creditor shall not consider race, color, religion, national origin, or sex (or an applicant's or other person's decision not to provide the information) in any aspect of a credit transaction.

Regulatory Commentary

None.

State Property Laws – 12 CFR §1002.6(c)

Regulatory Discussion

A creditor may consider, and apply, State property laws which does not constitute unlawful discrimination of the ECOA or Regulation B.

Regulatory Text

- (c) **State property laws.** A creditor's consideration or application of state property laws directly or indirectly affecting creditworthiness does not constitute unlawful discrimination for the purposes of the Act or this part.

Regulatory Commentary

None.

**Adverse Action Notifications
Declines
Counteroffers
Lack of Required Information**

Section 1: Introduction to Adverse Actions 12 CFR § 1002.9

Introductory Commentary – 12 CFR § 1002.9

Regulatory Discussion

This section of the regulation begins with commentary, and offers basic information about the notification process.

The term “adverse action” means that the applicant is not going to receive exactly what they requested based on the information that the bank has. This could take the form of a request for additional information, a counter offer, or an outright denial.

If an application is expressly withdrawn, meaning that the customer has withdrawn the application prior to decisioning by the bank, an adverse action or other notice is not required. If, however, the customer “withdraws” the application after decisioning has occurred, an adverse action notice would be required.

All notifications are required that are required are considered delivered at the time of mailing it to the applicant or otherwise delivering it to the applicant.

The notice itself can be on one side or both sides of a piece of paper. There is no mention in the commentary of multiple pieces of paper. The regulation is out of date, as some notifications might be delivered electronically, and there is no comment about formatting for that situation.

The commentary also discusses prequalification requests. If the prequalification request is handled by the bank by discussing terms and conditions and helping the customer to actually apply for the loan, then this section of the regulation is irrelevant. However, if based on the cursory information the bank already has, the bank has already made an adverse action decision, then an adverse action notice would be required.

Regulatory Text

None.

Regulatory Commentary

- 1. Use of the term adverse action.*** *The regulation does not require that a creditor use the term adverse action in communicating to an applicant that a request for an extension of credit has not been approved. In notifying an applicant of adverse action as defined by §1002.2(c)(1), a creditor may use any words or phrases that describe the action taken on the application.*

2. ***Expressly withdrawn applications.*** *When an applicant expressly withdraws a credit application, the creditor is not required to comply with the notification requirements under §1002.9. (The creditor must comply, however, with the record retention requirements of the regulation. See §1002.12(b)(3).)*
3. ***When notification occurs.*** *Notification occurs when a creditor delivers or mails a notice to the applicant's last known address or, in the case of an oral notification, when the creditor communicates the credit decision to the applicant.*
4. ***Location of notice.*** *The notifications required under §1002.9 may appear on either or both sides of a form or letter.*
5. ***Prequalification requests.*** *Whether a creditor must provide a notice of action taken for a prequalification request depends on the creditor's response to the request, as discussed in comment 2(f)-3. For instance, a creditor may treat the request as an inquiry if the creditor evaluates specific information about the consumer and tells the consumer the loan amount, rate, and other terms of credit the consumer could qualify for under various loan programs, explaining the process the consumer must follow to submit a mortgage application and the information the creditor will analyze in reaching a credit decision. On the other hand, a creditor has treated a request as an application, and is subject to the adverse action notice requirements of §1002.9 if, after evaluating information, the creditor decides that it will not approve the request and communicates that decision to the consumer. For example, if the creditor tells the consumer that it would not approve an application for a mortgage because of a bankruptcy in the consumer's record, the creditor has denied an application for credit.*

Adverse Actions Not Limited to Credit

Regulation B limits the definition of adverse action to decisions regarding credit.

The FCRA, however, does not include such a limitation. The FCRA therefore applies to adverse action decisions related to credit, but also decisions regarding, for example, a deposit account, insurance product, or employment. Although a credit score may generally be used in making or arranging loans, a credit score may also be used in taking adverse action not related to credit. A person would need to disclose a credit score obtained from a consumer reporting agency as part of the adverse action notice as set forth in the Dodd Frank Act, even if the person used the credit score to take adverse action for a non-lending product. In requiring credit score disclosures, the Dodd-Frank Act does not state that the credit score disclosures are only required for adverse action decisions related to credit.

Credit Score Disclosures on Adverse Action Notices

Use of a Credit Score

In some cases, a creditor that is required to provide an adverse action notice under the FCRA may use a consumer report, but not a credit score, in taking the adverse action. The Dodd-Frank Act requires disclosure if a credit score was used in taking adverse action. A creditor that obtains

a credit score and takes adverse action is required to disclose that score, unless the credit score played no role in the adverse action determination. If the credit score was a factor in the adverse action decision, even if it was not a significant factor, the creditor will have used the credit score for purposes of the regulation.

Disclosure that No Credit Score is Available

In some cases, a creditor may try to obtain a credit score for an applicant, but the applicant may have insufficient credit history for the consumer-reporting agency to generate a credit score. This change only applies when a creditor uses a credit score in taking adverse action. The creditor cannot disclose credit score information if an applicant has no credit score. Nothing in the Dodd-Frank Act prevents a creditor, however, from providing the applicant notice that no credit score was available from a consumer-reporting agency, although this is not required.

Key Factors

The Dodd-Frank Act expressly requires disclosure of the top key factors that adversely affected the credit score, whether or not the effect was substantial. A person taking adverse action must provide the consumer the required information. The FCRA requires disclosure of all of the key factors that adversely affected the credit score in the model used, up to four, subject to the FCRA, which states that if the key factors that adversely affected the credit score include the number of inquiries made with respect to the consumer report, the “number of inquiries” must be disclosed as a key factor.

The person taking adverse action is responsible for providing the credit score disclosure, including the key factors adversely affecting the credit score. If a creditor is using a credit score purchased from a consumer-reporting agency, the consumer-reporting agency is in the best position to identify the key factors that affected the score, and the creditor could rely on that information in its disclosure to consumers. Contractual arrangements between creditors and consumer reporting agencies may vary as to how creditors will receive the credit score information necessary to comply. The imposition of requirements on consumer reporting agencies is not within the scope of this rulemaking under the ECOA.

Multiple Scores

Some creditors may obtain multiple credit scores from consumer reporting agencies in connection with their underwriting processes. A creditor may use one or more of those scores in taking adverse action. The Dodd-Frank Act only requires a person to disclose a single credit score used in taking adverse action.

When a creditor obtains multiple scores but only uses one in making the decision, the creditor must disclose the credit score that it used. The Dodd-Frank Act does not specify what credit score should be disclosed in such cases, but only requires a person to disclose a single credit score that is used by the person in making the credit decision. A creditor would comply with the statute by disclosing any of the credit scores that it used. Creditors should have policies and procedures to determine which of the multiple credit scores was used in taking adverse action. For instance, a creditor could have policies and procedures specifying that:

- when the creditor obtains or creates multiple credit scores but only uses one of those credit scores in taking adverse action, for example, by using the low, middle, high, or most recent score, the creditor would disclose that credit score and information relating to that credit score; and
- when a creditor uses multiple credit scores in taking adverse action, for example, by computing the average of all the credit scores obtained, the creditor would disclose any one of those credit scores and information relating to the credit score.

Because credit-scoring models may differ considerably in nature and the range of scores used, consumers would not necessarily benefit if they receive and try to compare multiple scores. Disclosing multiple credit scores could confuse consumers who do not understand the differences, which might lessen the value of the disclosures. Moreover, the Dodd-Frank Act requires the Consumer Financial Protection Bureau (CFPB) to conduct a study of the different credit scoring systems, and whether these variations disadvantage consumers. The CFPB's study might develop a record that could serve as the basis for reconsidering this issue in a future rulemaking.

Contact Information for the Entity that Provided the Credit Score

The Board added optional language to the model forms that creditors may use to direct the consumer to the entity (which may be a consumer reporting agency or the creditor itself, for a proprietary score that meets the definition of a credit score) that provided the credit score for any questions about the credit score, along with the entity's contact information. Because this language is optional, creditors may use or not use the additional language without losing the safe harbor provided under Regulation B and the ECOA. Paragraph 2 of Appendix C is revised to clarify that the disclosure of the entity's contact information is optional.

Disclosing Credit Score Information on a Separate Document

The FCRA requires a creditor to provide notice of adverse action to consumers against whom it takes adverse action based in whole or in part on information contained in a consumer report. The Dodd-Frank Act amended FCRA to require a creditor to provide such consumers credit score information. Providing a form with credit score information separately from an adverse action notice does not appear to be consistent with the legislation.

Section 2:

Adverse Action Notification Timing

12 CFR § 1002.9(a)(1)

Notification of Action Taken (When Notification Required)

Regulatory Discussion

This paragraph requires a creditor to notify an applicant of action taken within the following specific timeframes:

- Within 30 days after receiving a completed application;
 - The application is complete when all necessary information to make a decision has been received.
 - If the loan closes, the closing of the loan is proof of notification.
- Within 30 days after taking adverse action on an incomplete application;
 - Even though the application is incomplete, the application may be denied based on the information available. For instance, if the application indicates a back end ratio of 75%, the application most likely can be denied based on that ratio.
 - See paragraph (c) (later in this manual) for other notice alternatives on incomplete applications.
- Banks can make the counteroffer for a limited period of time.
 - The timing is at the bank's discretion, although the period of time should be reasonable.
 - If the counteroffer is combined with a denial, no second denial is required at the end of the counteroffer period.
- When an application is made by telephone and adverse action is taken, the creditor must request the applicant's name and address in order to provide written notification under this section. If the applicant declines to provide that information, then the creditor has no further notification responsibility.

Regulatory Text - 12 CFR §1002.9(a)(1)

(a) Notification of action taken, ECOA notice, and statement of specific reasons

(1) When notification is required. A creditor shall notify an applicant of action taken within:

- (i) 30 days after receiving a completed application concerning the creditor's approval of,

counteroffer to, or adverse action on the application;

- (ii) 30 days after taking adverse action on an incomplete application, unless notice is provided in accordance with paragraph (c) of this section;
- (iii) 30 days after taking adverse action on an existing account; or
- (iv) 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered.

Regulatory Commentary

Paragraph 9(a)(1).

1. **Timing of notice - when an application is complete.** *Once a creditor has obtained all the information it normally considers in making a credit decision, the application is complete, and the creditor has 30 days in which to notify the applicant of the credit decision. (See also comment 2(f)-6.)*
2. **Notification of approval.** *Notification of approval may be express or by implication. For example, the creditor will satisfy the notification requirement when it gives the applicant the credit card, money, property, or services requested.*
3. **Incomplete application - denial for incompleteness.** *When an application is incomplete regarding information that the applicant can provide and the creditor lacks sufficient data for a credit decision, the creditor may deny the application giving as the reason for denial that the application is incomplete. The creditor has the option, alternatively, of providing a notice of incompleteness under §1002.9(c).*
4. **Incomplete application - denial for reasons other than incompleteness.** *When an application is missing information but provides sufficient data for a credit decision, the creditor may evaluate the application, make its credit decision, and notify the applicant accordingly. If credit is denied, the applicant must be given the specific reasons for the credit denial (or notice of the right to receive the reasons); in this instance missing information or “incomplete application” cannot be given as the reason for the denial.*
5. **Length of counteroffer.** *Section 1002.9(a)(1)(iv) does not require a creditor to hold a counteroffer open for 90 days or any other particular length of time.*
6. **Counteroffer combined with adverse action notice.** *A creditor that gives the applicant a combined counteroffer and adverse action notice that complies with §1002.9(a)(2) need not send a second adverse action notice if the applicant does not accept the counteroffer. A sample of a combined notice is contained in form C-4 of appendix C to the regulation.*
7. **Denial of a telephone application.** *When an application is made by telephone and adverse action is taken, the creditor must request the applicant's name and address in order to provide written notification under this section. If the applicant declines to provide that information, then the creditor has no further notification responsibility.*

Section 3:

Content of Notification of Action Taken

12 CFR § 1002.9(a)(2)

Notification of Action Taken (Content) – 12 CFR §1002.9(a)(2)

Regulatory Discussion

This section requires the notice of adverse action to be in writing and it must include the following information:

- A statement of the action taken;
- The name and address of the creditor;
- A statement of the provisions of 701(a) of the ECOA (see §1002.9(b)(1) – the “ECOA Notice,” discussed below;
- The name and address of the creditor’s Federal supervisory agency (see Appendix A – Section 11 of the next portion of the manual);

and either:

- A statement of specific reasons for the action taken; *or*
- A disclosure of the applicant’s right to a statement of specific reasons.

The adverse action notice now includes requirements under the Fair Credit Reporting Act (Section 615(a)). The FCRA requires the adverse action notice to include:

- a numerical credit score used in making the credit decision;
- the range of possible scores under the model used;
- up to four key factors that adversely affected the consumer’s credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor);
- the date on which the credit score was created; and
- the name of the person or entity that provided the credit score.

Regulatory Text - 12 CFR §1002.9(a)(2)

(a) Notification of action taken, ECOA notice, and statement of specific reason

- (2) **Content of notification when adverse action is taken.** A notification given to an applicant when adverse action is taken shall be in writing and shall contain a statement of the action taken; the name and address of the creditor; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers

compliance with respect to the creditor; and either:

- (i) A statement of specific reasons for the action taken; or
- (ii) A disclosure of the applicant's right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor's notification. The disclosure shall include the name, address, and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the reasons orally, the creditor shall also disclose the applicant's right to have them confirmed in writing within 30 days of receiving the applicant's written request for confirmation.

Regulatory Commentary

None.

Section 4:

Notification of Action Taken (Business Applicants)

12 CFR §1002.9(a)(3)

Notification of Action Taken (Business Applicants) – 12 CFR §1002.9(a)(3)

Regulatory Discussion

With respect to business applicants, this section requires two differing methods of notification, based on the gross revenues of the business..

For a business that had gross revenues of **\$1 million or less** in its preceding fiscal year, a creditor shall generally provide notice of action taken as set forth in the previous 2 sections of this manual.

Exceptions:

- The statement of action taken may be oral or written when adverse action is taken;
- Disclosure of the applicant's right to a statement of reasons may be given at time of application (subject to conditions);
- For telephone applications, the requirements of may be satisfied by an oral statement.

For a business that had gross revenues over **\$1 million** in its preceding fiscal year, a creditor shall generally:

- Notify the applicant, within a reasonable time, orally or in writing, of the action taken; and
- Provide a written statement of the reasons for adverse action and the ECOA notice if the applicant makes a written request within 60 days of notification.

The commentary provides significant information on notification to business applicants. A creditor may either follow the rules governing consumer credit as stated above, or choose to treat all business applicants the same (irrespective to revenue size) and follow the requirements for businesses at or below the gross revenue threshold of \$1 million.

If a business has gross revenues in excess of \$1 million. A creditor must:

- Notify the applicant, within a reasonable time, orally or in writing, of the action taken; and
- Provide a written statement of the reasons for adverse action and the ECOA notice discussed later I this manual if the applicant makes a written request for the reasons within 60 days of the creditor's notification.

Regulatory Text - 12 CFR §1002.9(a)(2)

(a) Notification of action taken, ECOA notice, and statement of specific reasons

(3) **Notification to business credit applicants.** For business credit, a creditor shall comply with the notification requirements of this section in the following manner:

(i) With regard to a **business that had gross revenues of \$1 million or less** in its preceding fiscal year (other than an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit), a creditor shall comply with paragraphs (a)(1) and (2) of this section, except that:

(A) The statement of the action taken may be given orally or in writing, when adverse action is taken;

(B) Disclosure of an applicant's right to a statement of reasons may be given at the time of application, instead of when adverse action is taken, provided the disclosure contains the information required by paragraph (a)(2)(ii) of this section and the ECOA notice specified in paragraph (b)(1) of this section;

(C) For an application made entirely by telephone, a creditor satisfies the requirements of paragraph (a)(3)(i) of this section by an oral statement of the action taken and of the applicant's right to a statement of reasons for adverse action.

(ii) With regard to a **business that had gross revenues in excess of \$1 million** in its preceding fiscal year or an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit, a creditor shall:

(A) Notify the applicant, within a reasonable time, orally or in writing, of the action taken; and

(B) Provide a written statement of the reasons for adverse action and the ECOA notice specified in paragraph (b)(1) of this section if the applicant makes a written request for the reasons within 60 days of the creditor's notification.

Regulatory Commentary

Paragraph 9(a)(3).

1. **Coverage.** *In determining which rules in this paragraph apply to a given business credit application, a creditor may rely on the applicant's assertion about the revenue size of the business. (Applications to start a business are governed by the rules in §1002.9(a)(3)(i).) If an applicant applies for credit as a sole proprietor, the revenues of the sole proprietorship will determine which rules govern the application. However, if an applicant applies for business credit as an individual, the rules in §1002.9(a)(3)(i) apply unless the application is for trade or similar credit.*
2. **Trade credit.** *The term trade credit generally is limited to a financing arrangement that involves a buyer and a seller—such as a supplier who finances the sale of equipment, supplies, or inventory; it does not apply to an extension of credit by a bank or other financial institution for the financing of such items.*

3. **Factoring.** *Factoring refers to a purchase of accounts receivable, and thus is not subject to the Act or regulation. If there is a credit extension incident to the factoring arrangement, the notification rules in §1002.9(a)(3)(ii) apply, as do other relevant sections of the Act and regulation.*
4. **Manner of compliance.** *In complying with the notice provisions of the Act and regulation, creditors offering business credit may follow the rules governing consumer credit. Similarly, creditors may elect to treat all business credit the same (irrespective of revenue size) by providing notice in accordance with §1002.9(a)(3)(i).*
5. **Timing of notification.** *A creditor subject to §1002.9(a)(3)(ii)(A) is required to notify a business credit applicant, orally or in writing, of action taken on an application within a reasonable time of receiving a completed application. Notice provided in accordance with the timing requirements of §1002.9(a)(1) is deemed reasonable in all instances.*

Section 5: The ECOA Notice 12 CFR §1002.9(b)(1)

The ECOA Notice

Regulatory Discussion

This section provides the ECOA notice content required. Since the text is (in part) boilerplate, we have chosen to just highlight the required text in **bold** below.

Regulatory Text

(b) Form of ECOA notice and statement of specific reasons

- (1) **ECOA notice.** To satisfy the disclosure requirements of paragraph (a)(2) of this section regarding section 701(a) of the Act, the creditor shall provide a notice that is substantially similar to the following: **The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency or agencies listed in appendix A of this part].**

Editor's Note: The following text is part of this section, but is now obsolete.

Until January 1, 2013, a creditor may comply with this paragraph (b)(1) and paragraph (a)(2) of this section by including in the notice the name and address as specified by the appropriate agency in appendix A to 12 CFR part 202, as in effect on October 1, 2011.

Regulatory Commentary

Paragraph 9(b)(1).

1. **Substantially similar notice.** *The ECOA notice sent with a notification of a credit denial or other adverse action will comply with the regulation if it is "substantially similar" to the notice contained in §1002.9(b)(1). For example, a creditor may add a reference to the fact that the ECOA permits age to be considered in certain credit scoring systems, or add a reference to a similar state statute or regulation and to a state enforcement agency.*

Section 6:

ECOA Notice / Statement of Specific Reasons

12 CFR §1002.9(b)(2)

ECOA Notice / Statement of Specific Reasons

Regulatory Discussion

This section requires the statement of reasons for adverse action be specific and indicate the principal reason(s) for the adverse action.

The commentary provides significant information on the following topics:

- **Number of specific reasons:** more than four is not likely to be helpful to the applicant.
- **Source of specific reasons:** must relate to and accurately describe the factors considered or scored.
- **Description of specific reasons:** need not describe how or why a factor adversely affected an applicant.
- **Credit scoring system:** if used, the reasons disclosed must relate only to those factors actually scored.
- **Credit scoring – method for selecting reasons:** various methods may be used for selecting reasons for a credit denial or other adverse action that is based on a credit scoring system.
- **Judgmental system:** if used, the reasons for the denial or other adverse action must relate to those factors in the applicant's record actually reviewed by the person making the decision.
- **Combined credit scoring and judgmental system:** if used, the reasons for the denial must come from the component of the system that the applicant failed.
- **Automatic denial:** if used, the creditor must disclose the specific factor that led to the actual denial..

Combined ECOA-FCRA Disclosures and the Implications

The ECOA requires disclosure of the principal reasons for denying or taking other adverse action on an application for an extension of credit. The Fair Credit Reporting Act (FCRA) requires a creditor to disclose when it has based its decision in whole or in part on information from a source other than the applicant or its own files.

Disclosing that a credit report was obtained and used in the denial of the application, as the FCRA requires, does not satisfy the ECOA requirement to disclose specific reasons. For example, if the applicant's credit history reveals delinquent credit obligations and the application is denied

for that reason, to satisfy this section the creditor must disclose that the application was denied because of the applicant's delinquent credit obligations.

The FCRA also requires a creditor to disclose, as applicable, a credit score it used in taking adverse action along with related information, including up to four key factors that adversely affected the consumer's credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor).

It is important to note that disclosing the key factors that adversely affected the consumer's credit score does not satisfy the ECOA requirement, and is not the same as disclosing the specific reasons for denying or taking other adverse action on an application or extension of credit.

Sample forms C-1 through C-5 of appendix C of the regulation (located in the next section of the manual) provide for both the ECOA and FCRA disclosures.

Regulatory Text

(b) Form of ECOA notice and statement of specific reasons

- (2) **Statement of specific reasons.** The statement of reasons for adverse action required by paragraph (a)(2)(i) of this section must be specific and indicate the principal reason(s) for the adverse action. Statements that the adverse action was based on the creditor's internal standards or policies or that the applicant, joint applicant, or similar party failed to achieve a qualifying score on the creditor's credit scoring system are insufficient.

Regulatory Commentary

Paragraph 9(b)(2).

1. **Number of specific reasons.** *A creditor must disclose the principal reasons for denying an application or taking other adverse action. The regulation does not mandate that a specific number of reasons be disclosed, but disclosure of more than four reasons is not likely to be helpful to the applicant.*
2. **Source of specific reasons.** *The specific reasons disclosed under §§1002.9(a)(2) and (b)(2) must relate to and accurately describe the factors actually considered or scored by a creditor.*
3. **Description of reasons.** *A creditor need not describe how or why a factor adversely affected an applicant. For example, the notice may say "length of residence" rather than "too short a period of residence."*
4. **Credit scoring system.** *If a creditor bases the denial or other adverse action on a credit scoring system, the reasons disclosed must relate only to those factors actually scored in the system. Moreover, no factor that was a principal reason for adverse action may be excluded from disclosure. The creditor must disclose the actual reasons for denial (for example, "age of automobile") even if the relationship of that factor to predicting creditworthiness may not be clear to the applicant.*
5. **Credit scoring - method for selecting reasons.** *The regulation does not require that any one*

method be used for selecting reasons for a credit denial or other adverse action that is based on a credit scoring system. Various methods will meet the requirements of the regulation. One method is to identify the factors for which the applicant's score fell furthest below the average score for each of those factors achieved by applicants whose total score was at or slightly above the minimum passing score. Another method is to identify the factors for which the applicant's score fell furthest below the average score for each of those factors achieved by all applicants. These average scores could be calculated during the development or use of the system. Any other method that produces results substantially similar to either of these methods is also acceptable under the regulation.

6. **Judgmental system.** If a creditor uses a judgmental system, the reasons for the denial or other adverse action must relate to those factors in the applicant's record actually reviewed by the person making the decision.
7. **Combined credit scoring and judgmental system.** If a creditor denies an application based on a credit evaluation system that employs both credit scoring and judgmental components, the reasons for the denial must come from the component of the system that the applicant failed. For example, if a creditor initially credit scores an application and denies the credit request as a result of that scoring, the reasons disclosed to the applicant must relate to the factors scored in the system. If the application passes the credit scoring stage but the creditor then denies the credit request based on a judgmental assessment of the applicant's record, the reasons disclosed must relate to the factors reviewed judgmentally, even if the factors were also considered in the credit scoring component. If the application is not approved or denied as a result of the credit scoring, but falls into a gray band, and the creditor performs a judgmental assessment and denies the credit after that assessment, the reasons disclosed must come from both components of the system. The same result applies where a judgmental assessment is the first component of the combined system. As provided in comment 9(b)(2)-1, disclosure of more than a combined total of four reasons is not likely to be helpful to the applicant.
8. **Automatic denial.** Some credit decision methods contain features that call for automatic denial because of one or more negative factors in the applicant's record (such as the applicant's previous bad credit history with that creditor, the applicant's declaration of bankruptcy, or the fact that the applicant is a minor). When a creditor denies the credit request because of an automatic-denial factor, the creditor must disclose that specific factor.
9. **Combined ECOA-FCRA disclosures.** The ECOA requires disclosure of the principal reasons for denying or taking other adverse action on an application for an extension of credit. The Fair Credit Reporting Act (FCRA) requires a creditor to disclose when it has based its decision in whole or in part on information from a source other than the applicant or its own files. Disclosing that a credit report was obtained and used in the denial of the application, as the FCRA requires, does not satisfy the ECOA requirement to disclose specific reasons. For example, if the applicant's credit history reveals delinquent credit obligations and the application is denied for that reason, to satisfy §1002.9(b)(2) the creditor must disclose that the application was denied because of the applicant's delinquent credit obligations. The FCRA also requires a creditor to disclose, as applicable, a credit score it used in taking adverse action along with related information, including up to four key factors that adversely affected the consumer's credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor). Disclosing the key factors that adversely affected the consumer's credit score does not satisfy the ECOA requirement to disclose specific reasons for denying or taking other adverse action on an application or extension of credit. Sample forms C-1 through C-5 of appendix C of the regulation provide for both the ECOA and FCRA disclosures. See also comment 9(b)(2)-1.

Pitfalls

1. A high school teacher comes in to apply for a loan, but you know that the teacher' union is currently on strike. Can you decline the loan due to a current lack of income?
2. An individual comes in to apply for a car loan. You are aware that he lives in assisted living, and you are sure that under no circumstances should he actually get behind the wheel. He comes to the bank every week and asks for an application for the car loan. He comes to the bank using the bus provided by the assisted living facility. You also are aware that he has forgotten that he applied last week. How do you handle this situation?
3. A same-sex couple comes in to apply for mortgage loan. They are not legally married. One of the individuals qualifies for the loan on their own. Do you place both parties on the loan even though one of the parties has no ability to repay and is otherwise not helpful in supporting the loan?

Section 7:

Incomplete Application (Notice Alternatives)

12 CFR §1002.9(c)(1)

Incomplete Application (Notice Alternatives)

Regulatory Discussion

This section provides an alternative to the notice of action taken. Up to 30 days after the application date, the bank may request items necessary to complete the application verbally or by any other reasonable method. However, at 30 days after the application date, the bank must either:

- Make the request for the missing information in writing. This request can be made with a “drop dead” date, indicating that if the additional information is not provided by a reasonable date, the application will no longer be considered.
 - If there is no “drop dead” date given with the request, an additional adverse action notice is required to be sent 90 days later, indicating that the application will not receive any further consideration.
- Deny the application for incompleteness, with any other reasons which may be appropriate.

Note the commentary does not allow use of the “notice of incompleteness” for preapprovals.

Regulatory Text - 12 CFR §1002.9(c)(1)

(c) Incomplete applications

- (1) **Notice alternatives.** Within 30 days after receiving an application that is incomplete regarding matters that an applicant can complete, the creditor shall notify the applicant either:
- (i) Of action taken, in accordance with paragraph (a) of this section; or
 - (ii) Of the incompleteness, in accordance with paragraph (c)(2) of this section.

Regulatory Commentary

Paragraph 9(c)(1).

1. **Exception for preapprovals.** *The requirement to provide a notice of incompleteness does not apply to preapprovals that constitute applications under §1002.2(f).*

Incomplete Application (Notice of Incompleteness) – 12 CFR §1002.9(c)(2)

Regulatory Discussion

This section provides the process for using the “notice of incompleteness” instead of using the notice of action taken (denial). The process to be followed is:

- If additional information is needed, the creditor shall send a written notice:
 - specifying the information needed,
 - designating a reasonable period of time for the applicant to provide the information, and
 - informing the applicant that failure to provide the information requested will result in no further consideration being given to the application.
- The creditor shall have no further obligation if the applicant fails to respond within the designated time period.
- If the applicant supplies the requested information within the designated time period, the creditor shall take action on the application and notify the applicant in accordance with the normal time limits, remembering that the date of receipt of the required information may start the 30 day “clock,” as the application may now be complete.

The commentary provides guidance on when a new application may be required.

Regulatory Text - 12 CFR §1002.9(c)(2)

(c) Incomplete applications

- (2) **Notice of incompleteness.** If additional information is needed from an applicant, the creditor shall send a written notice to the applicant specifying the information needed, designating a reasonable period of time for the applicant to provide the information, and informing the applicant that failure to provide the information requested will result in no further consideration being given to the application. The creditor shall have no further obligation under this section if the applicant fails to respond within the designated time period. If the applicant supplies the requested information within the designated time period, the creditor shall take action on the application and notify the applicant in accordance with paragraph (a) of this section.

Regulatory Commentary

Paragraph 9(c)(2).

1. **Reapplication.** *If information requested by a creditor is submitted by an applicant after the expiration of the time period designated by the creditor, the creditor may require the applicant*

to make a new application.

Incomplete Application (Oral Request for Information) – 12 CFR §1002.9(c)(3)

Regulatory Discussion

The paragraph provides another option to orally inform the applicant of the need for additional information. If this option is chosen, and the application remains incomplete at 30 days after the application date, , the creditor must send a notice of action taken according to the paragraphs described above.

Regulatory Text - 12 CFR §1002.9(c)(3)

(c) Incomplete applications

- (3) **Oral request for information.** At its option, a creditor may inform the applicant orally of the need for additional information. If the application remains incomplete, the creditor shall send a notice in accordance with paragraph (c)(1) of this section.

Regulatory Commentary

Paragraph 9(c)(3).

1. ***Oral inquiries for additional information.*** *If an applicant fails to provide the information in response to an oral request, a creditor must send a written notice to the applicant within the 30-day period specified in §§1002.9(c)(1) and (2). If the applicant provides the information, the creditor must take action on the application and notify the applicant in accordance with §1002.9(a).*

Pitfalls

1. An unmarried couple comes in to apply for mortgage loan. During the course of the interview, they get into a fight and one of the applicants storms off. During the course of the discussion, they told your lender that they are applying for this home loan to be their marital home after the wedding. What are the lender's options now?

Section 8:

Oral Notifications by Small-Volume Creditors

12 CFR §1002.9(d)

Oral Notifications by Small-Volume Creditors

Regulatory Discussion

This section allows a creditor, with 150 or fewer applications received during the preceding calendar year, the option to provide oral notice of action taken. We strongly oppose this approach, as there is much greater risks at the time of the exam, as well as potential legal risks due to lack of documentation..

Regulatory Text– 12 CFR §1002.9(d)

(d) **Oral notifications by small-volume creditors.** In the case of a creditor that did not receive more than 150 applications during the preceding calendar year, the requirements of this section (including statements of specific reasons) are satisfied by oral notifications.

Regulatory Commentary

None.

Section 9:

Withdrawal of Approved Application

12 CFR §1002.9(e)

Withdrawal of Approved Application

Regulatory Discussion

In the event an application is approved, and the applicant has not inquired within 30 days, this paragraph allows the creditor to treat the application as “withdrawn” and need not comply with the notice of action taken requirements discussed above.

When an applicant expressly withdraws a credit application, a creditor is not required to comply with the notification requirements of the regulation. The creditor must, however, comply with the record retention requirements of the regulation.

Regulatory Text – 12 CFR §1002.9(e)

- (e) **Withdrawal of approved application.** When an applicant submits an application and the parties contemplate that the applicant will inquire about its status, if the creditor approves the application and the applicant has not inquired within 30 days after applying, the creditor may treat the application as withdrawn and need not comply with paragraph (a)(1) of this section.

Regulatory Commentary

None.

Section 10: Multiple Applicants 12 CFR §1002.9(f)

Multiple Applicants

Regulatory Discussion

In the event an application involves more than one applicant, this section provides that the notice of action taken need only be given to the “primary applicant” (where one is readily apparent).

According to the FRB, there is no expectation of privacy between co-applicants or applicants and guarantors. One statement of reasons for adverse action that combines any negative information about the multiple parties is permissible.

NOTE: the FCRA differs on who must receive the notice of action taken when there are multiple applicants. The second quarter 2013 FRB Consumer Compliance Outlook (page 19) provides the following:

“In the case of multiple applicants under the FCRA, the statute has been interpreted to require notice to all consumers against whom adverse action is taken if the action taken was based information in a consumer report. If the applicants’ credit scores were used in taking adverse action, each individual should receive a separate adverse action notice with the credit score and related disclosures associated with his or her individual consumer report; however, an applicant should not receive credit score information about a coapplicant. Regulation B does not prohibit delivery of an adverse action notice to each applicant. If applicable, financial institutions can provide a combined notice of adverse action to all consumer applicants to comply with multiple-applicant requirements under the FCRA, provided a credit score is not required for the adverse action notice because a score was not relied upon in taking adverse action.”

Guarantors and Co-Signers

An application may involve a guarantor or co-signer. Under Regulation B, only an applicant can experience adverse action. Further, a guarantor or co-signer is not deemed an applicant. The FCRA provides that adverse action has the same meaning for purposes of the FCRA as is provided in the ECOA and Regulation B in the context of a credit application. Therefore, a guarantor or co-signer would not receive an adverse action notice under the ECOA or the FCRA. The credit applicant would, however, receive an adverse action notice, even if the adverse action decision is made solely based on information in the guarantor’s or co-signer’s consumer report.

The Dodd-Frank Act does not address whether, in this circumstance, the adverse action notice received by an applicant under the FCRA should include a guarantor or co-signer’s credit score. However, there is no intent that an individual receive another individual’s credit score. The FCRA associates a credit score with a particular individual. A guarantor or co-signer’s credit score should

not be disclosed to an applicant in an adverse action notice.

Regulatory Text

- (f) **Multiple applicants.** When an application involves more than one applicant, notification need only be given to one of them but must be given to the primary applicant where one is readily apparent.

Regulatory Commentary

None.

Section 11:

Applications Submitted Through a Third Party

12 CFR §1002.9(g)

Applications Submitted Through a Third Party

Regulatory Discussion

In the event an application is submitted, by a third party, to more than one creditor, this section provides the following:

- If the applicant expressly accepts or uses credit offered by one of the creditors, notification of action taken by any of the other creditors is not required.
- If no credit is offered, or if the applicant does not expressly accept or use the credit offered, each creditor taking adverse action must provide a notice of action taken, directly or through a third party.
 - A notice of action taken given by a third party shall disclose the identity of each creditor on whose behalf the notice is given.

The commentary provides additional guidance.

Regulatory Text

(g) **Applications submitted through a third party.** When an application is made on behalf of an applicant to more than one creditor and the applicant expressly accepts or uses credit offered by one of the creditors, notification of action taken by any of the other creditors is not required. If no credit is offered or if the applicant does not expressly accept or use the credit offered, each creditor taking adverse action must comply with this section, directly or through a third party. A notice given by a third party shall disclose the identity of each creditor on whose behalf the notice is given.

Regulatory Commentary

9(g) Applications submitted through a third party.

1. ***Third parties.*** The notification of adverse action may be given by one of the creditors to whom an application was submitted, or by a noncreditor third party. If one notification is provided on behalf of multiple creditors, the notice must contain the name and address of each creditor. The notice must either disclose the applicant's right to a statement of specific reasons within 30 days, or give the primary reasons each creditor relied upon in taking the adverse action—clearly indicating which reasons relate to which creditor.

2. **Third party notice - enforcement agency.** *If a single adverse action notice is being provided to an applicant on behalf of several creditors and they are under the jurisdiction of different Federal enforcement agencies, the notice need not name each agency; disclosure of any one of them will suffice.*
3. **Third-party notice - liability.** *When a notice is to be provided through a third party, a creditor is not liable for an act or omission of the third party that constitutes a violation of the regulation if the creditor accurately and in a timely manner provided the third party with the information necessary for the notification and maintains reasonable procedures adapted to prevent such violations.*

Regulation B

Appendix C Model Forms

Section 1: Adverse Action Completion

Model notices C-1 through C-5 may be used to comply with the adverse action provisions of both the ECOA and the FCRA. They include all necessary language to be in full compliance.

Section 2:

Form C-1 - Sample Notice of Action Taken and Statement of Reasons

Statement of Credit Denial, Termination or Change

Date:

Applicant's Name:

Applicant's Address:

Description of Account, Transaction, or Requested Credit:

Description of Action Taken:

Part I - Principal Reason(s) for Credit Denial, Termination, or Other Action Taken Concerning Credit

This section must be completed in all instances.

- ☐ Credit application incomplete
- ☐ Insufficient number of credit references provided
- ☐ Unacceptable type of credit references provided
- ☐ Unable to verify credit references
- ☐ Temporary or irregular employment
- ☐ Unable to verify employment
- ☐ Length of employment
- ☐ Income insufficient for amount of credit requested
- ☐ Excessive obligations in relation to income
- ☐ Unable to verify income
- ☐ Length of residence
- ☐ Temporary residence
- ☐ Unable to verify residence
- ☐ No credit file
- ☐ Limited credit experience

- _____ Poor credit performance with us
- _____ Delinquent past or present credit obligations with others
- _____ Collection action or judgment
- _____ Garnishment or attachment
- _____ Foreclosure or repossession
- _____ Bankruptcy
- _____ Number of recent inquiries on credit bureau report
- _____ Value or type of collateral not sufficient
- _____ Other, specify: _____

Part II - Disclosure of Use of Information Obtained From an Outside Source

This section should be completed if the credit decision was based in whole or in part on information that has been obtained from an outside source.

_____ Our credit decision was based in whole or in part on information obtained in a report from the consumer reporting agency listed below. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

Name:

Address:

[Toll-free] Telephone number:

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score:

Date:

Scores range from a low of _____ to a high of _____.

Key factors that adversely affected your credit score:

Editor's Note: 4 reasons – 5 if number of recent inquiries on a consumer report was a factor.

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address: __

[[Toll-free] Telephone number: ____]

_____ Our credit decision was based in whole or in part on information obtained from an affiliate or from an outside source other than a consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request, no later than 60 days after you receive this notice, for disclosure of the nature of this information.

If you have any questions regarding this notice, you should contact:

Creditor's name:

Creditor's address:

Creditor's telephone number:

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

Section 3:

Form C-2 - Sample Notice of Action Taken and Statement of Reasons

Date:

Dear Applicant: Thank you for your recent application. Your request for [a loan/a credit card/an increase in your credit limit] was carefully considered, and we regret that we are unable to approve your application at this time, for the following reason(s):

Your Income:

_____ is below our minimum requirement.

_____ is insufficient to sustain payments on the amount of credit requested.

_____ could not be verified.

Your Employment:

_____ is not of sufficient length to qualify.

_____ could not be verified.

Your Credit History:

_____ of making payments on time was not satisfactory.

_____ could not be verified.

Your Application:

_____ lacks a sufficient number of credit references.

_____ lacks acceptable types of credit references.

_____ reveals that current obligations are excessive in relation to income.

Other:

The consumer reporting agency contacted that provided information that influenced our decision in whole or in part was [name, address and [toll-free] telephone number of the reporting agency]. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency. Any questions regarding such information should be directed to [consumer reporting

agency]. If you have any questions regarding this letter, you should contact us at [creditor's name, address and telephone number].

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score:__

Date:__

Scores range from a low of ____ to a high of ____.

Key factors that adversely affected your credit score:

Editor's Note: 4 reasons – 5 if number of recent inquiries on a consumer report was a factor.

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address:

[[Toll-free] Telephone number: ____]

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

Section 4:

Form C-3 - Sample Notice of Action Taken and Statement of Reasons (Credit Scoring)

Date:

Dear Applicant: Thank you for your recent application for _____. We regret that we are unable to approve your request.

[Reasons for Denial of Credit]

Your application was processed by a [credit scoring] system that assigns a numerical value to the various items of information we consider in evaluating an application. These numerical values are based upon the results of analyses of repayment histories of large numbers of customers.

The information you provided in your application did not score a sufficient number of points for approval of the application. The reasons you did not score well compared with other applicants were:

- Insufficient bank references
- Type of occupation
- Insufficient credit experience
- Number of recent inquiries on credit bureau report

Editor's Note: These reasons were in the example. We presume that other reasons might be more appropriate.

[Your Right to Get Your Consumer Report]

In evaluating your application the consumer reporting agency listed below provided us with information that in whole or in part influenced our decision. The consumer reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. It can be obtained by contacting: [Name, address, and [toll-free] telephone number of the consumer reporting agency]. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

[Information about Your Credit Score]

[Information about Your Credit Score]

We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score:___

Date:___

Scores range from a low of ____ to a high of ____.

Key factors that adversely affected your credit score:

Editor's Note: 4 reasons – 5 if number of recent inquiries on a consumer report was a factor.

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address:___

[Toll-free] Telephone number: ____]

If you have any questions regarding this letter, you should contact us at

Creditor's Name:___

Address:___

Telephone:___

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (with certain limited exceptions); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

Section 5:

Form C-4 - Sample Notice of Action Taken, Statement of Reasons and Counteroffer

Date: _____

Dear Applicant: Thank you for your application for _____. We are unable to offer you credit on the terms that you requested for the following reason(s): _____

We can, however, offer you credit on the following terms: _____

If this offer is acceptable to you, please notify us within [amount of time] at the following address: _____.

Our credit decision on your application was based in whole or in part on information obtained in a report from [name, address and [toll-free] telephone number of the consumer reporting agency]. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score: _____

Date: _____

Scores range from a low of _____ to a high of _____.

Key factors that adversely affected your credit score:

Editor's Note: 4 reasons – 5 if number of recent inquiries on a consumer report was a factor.

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address:___

[Toll-free] Telephone number:_____]

You should know that the Federal Equal Credit Opportunity Act prohibits creditors, such as ourselves, from discriminating against credit applicants on the basis of their race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract), because they receive income from a public assistance program, or because they may have exercised their rights under the Consumer Credit Protection Act. If you believe there has been discrimination in handling your application you should contact the [name and address of the appropriate Federal enforcement agency listed in appendix A].

Sincerely,

Section 6:

Form C-5 - Sample Disclosure of Right To Request Specific Reasons for Credit Denial

Date _____

Dear Applicant: Thank you for applying to us for _____.

After carefully reviewing your application, we are sorry to advise you that we cannot [open an account for you/grant a loan to you/increase your credit limit] at this time. If you would like a statement of specific reasons why your application was denied, please contact [our credit service manager] shown below within 60 days of the date of this letter. We will provide you with the statement of reasons within 30 days after receiving your request.

Creditor's name _____

Address _____

Telephone number _____

If we obtained information from a consumer reporting agency as part of our consideration of your application, its name, address, and [toll-free] telephone number is shown below. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. [You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency.] You have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you received is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency. You can find out about the information contained in your file (if one was used) by contacting:

Consumer reporting agency's name _____

Address _____

[Toll-free] Telephone number _____

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score: _____

Date: _____

Scores range from a low of ____ to a high of ____.

Key factors that adversely affected your credit score:

Editor's Note: 4 reasons – 5 if number of recent inquiries on a consumer report was a factor.

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address: __

[Toll-free] Telephone number: ____]

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

Section 7:

Form C-6 - Sample Notice of Incomplete Application and Request for Additional Information

Creditor's name

Address

Telephone number

Date

Dear Applicant: Thank you for your application for credit. The following information is needed to make a decision on your application: _____

We need to receive this information by _____ (date). If we do not receive it by that date, we will regrettably be unable to give further consideration to your credit request.

Sincerely,

Section 8:

Form C-7 - Sample Notice of Action Taken and Statement of Reasons (Business Credit)

Creditor's name

Creditor's address

Date

Dear Applicant: Thank you for applying to us for credit. We have given your request careful consideration, and regret that we are unable to extend credit to you at this time for the following reasons:

(Insert appropriate reason, such as: Value or type of collateral not sufficient; Lack of established earnings record; Slow or past due in trade or loan payments)

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in appendix A].

Section 9:

Form C-8 - Sample Disclosure of Right To Request Specific Reasons for Credit Denial Given at Time of Application (Business Credit)

Creditor's name

Creditor's address

If your application for business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact [name, address and telephone number of the person or office from which the statement of reasons can be obtained] within 60 days from the date you are notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request for the statement.

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in appendix A].

Section 10:

Form C-9 - Sample Disclosure of Right To Receive a Copy of Appraisals

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close.

You can pay for an additional appraisal for your own use at your own cost.

[In your letter, give us the following information:]

Section 11:

Form C-10 - Sample Disclosure About Voluntary Data Notation

We are requesting the following information to monitor our compliance with the Federal Equal Credit Opportunity Act, which prohibits unlawful discrimination. You are not required to provide this information. We will not take this information (or your decision not to provide this information) into account in connection with your application or credit transaction. The law provides that a creditor may not discriminate based on this information, or based on whether or not you choose to provide it. [If you choose not to provide the information, we will note it by visual observation or surname].

Section 12: Regulation B, Appendix A

Editor's Note

In many of the examples above, the document ends with the required “ECOA Notice.” The ECOA notice is required for all denials, including commercial loans. The ECOA notice ends with the appropriate address for you regulator. The addresses appear in this appendix. We have only included the portions that are relevant.

Text

Appendix A to part 1002—Federal Agencies to be Listed in Adverse Action Notices

The following list indicates the Federal agency or agencies that should be listed in notices provided by creditors pursuant to § 1002.9(b)(1). Any questions concerning a particular creditor may be directed to such agencies. This list is not intended to describe agencies' enforcement authority for ECOA and Regulation B. Terms that are not defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in the International Banking Act of 1978 (12 U.S.C. 3101).

- 1. Banks, savings associations, and credit unions with total assets of over \$10 billion and their affiliates:** Bureau of Consumer Financial Protection, 1700 G Street NW, Washington, DC 20552. Such affiliates that are not banks, savings associations, or credit unions also should list, in addition to the Bureau: Federal Trade Commission, Consumer Response Center, 600 Pennsylvania Avenue NW, Washington, DC 20580.
- 2. To the extent not included in item 1 above:**
 - a. National Banks, Federal savings associations, and Federal branches and Federal agencies of foreign banks:** Office of the Comptroller of the Currency, Customer Assistance Group, P.O. Box 53570, Houston, TX 77052.
 - b. State member banks, branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act:** Federal Reserve Consumer Help Center, P.O. Box 1200, Minneapolis, MN 55480.
 - c. Nonmember Insured Banks, Insured State Branches of Foreign Banks, and Insured State Savings Associations:** Division of Depositor and Consumer Protection, National Center for Consumer and Depositor Assistance, Federal Deposit Insurance Corporation, 1100 Walnut Street, Box #11, Kansas City, MO 64106.