BRADSHAW & COMPANY, LLC

REAL ESTATE · BUSINESS LAW · PROBATE · TRUSTS & ESTATES

PERIODIC ARTICLES AND LEGAL UPDATE

MAY 6, 2015

SUMMARY

CFPB – COUNTDOWN TO AUGUST 1ST CONCERNS.

Like many of my of my real estate contemporaries, it's with a certain calculated apprehension that I count the days until August 1st when the Consumer Financial Protection Bureau ("CFPB") implements a host of revolutionary changes to the real estate closing process. By now you have heard of CFPB, but the question still remains, "How will it impact me?" While CFPB will not significantly impact the day-to-day processing of sales for real estate professionals, their seller and buyer clients will be looking to them for general information about the new rules and forms, as well as the impact on both the loan process and the closing of the transaction. When we asked a high ranking CFPB official in March if the published rules are final, she replied yes … but they're still subject to change. And that my friends, rather deftly represents the changes to come.

For purposes of this discussion, the section numbers referenced in this Newsletter refer to Title 12 of the Code of Federal Regulations (CFR). By way of background, the CFPB and its new rules stem from the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into federal law July 10, 2010. This Newsletter limits its focus to three important components of the new laws: (1) the integrated mortgage disclosure forms, (2) the new time-lines for consumer review, and (3) dangers of "referral fees" for real estate agents.

NEW FORMS: LOAN ESTIMATE & CLOSING DISCLOSURE

As of the date of this article, there are less than 4 months remaining until the integrated mortgage disclosure rules go into effect, significantly changing the real estate closing process as we know it. The CFPB rules collapse four forms from our present system into two entirely new forms. At the beginning stage of the process, a borrower receives both the Good Faith Estimate and the early Truth in Lending forms from their lender; these two forms will be merged into a new Loan Estimate. The funny thing is that it is not really an estimate in many respects, lenders will be held to the exact number to even more of the charges listed and have to come in within 10% on many of the others. This new three-page Loan Estimate form must be provided to borrowers on a timetable similar to the current receipt of the GFE: within three business days after six (6) items of information are collected:

(i) the consumer's name,
(ii) the consumer's income,
(iii) the consumer's Social Security Number,
(iv) the address of the property,
(v) the estimated value of the property, and
(vi) the loan amount.

There is no catch all seventh item, so either lenders will collect less information up front or they will have to issue loan estimates fairly early in the process.

At the final stage of the process, the borrower signs both the HUD-1 Settlement Statement and the final Truth in Lending Statement, which are both to be merged into a new Closing Disclosure Statement. These two new forms will apply to all closings involving closed-end consumer mortgages where the loan application was received by the creditor on or after August 1, 2015; these forms, however, will not be required for transactions involving[i]:

i. Reverse mortgages;
ii. Home Equity Line of Credit (HELOC);
iii. Mobile home;
iv. Cash closings;
v. Commercial purpose loans;
vi. Community no-interest loans; or
vii. Creditors making 5 or fewer loans per year.

The line numbering on the HUD-1 familiar to most of us is gone. Instead, the fees and charges are placed on the Closing Disclosure in one of seven areas:

i. Origination Charges;
ii Services Borrower Did Not Shop For;
iii. Services Borrower Did Shop For;
iv. Taxes and Other Government Fees;
v. Pre-paids;
vi. Initial Escrow Payment at Closing; and
vii. Other.

Individual charges within each of these major groupings are listed alphabetically. Columns are provided to separate charges of buyer, seller and others, as well as columns for both payments before and at closing.

Some complications created by this new Closing Disclosure have not been adequately addressed by the CFPB at this time, and many closing professionals are still praying for guidance before the August 1 deadline. For example, in most jurisdictions, title insurers offer a discount (often called a simultaneous-issue discount) on the loan policy premium when purchased at the same time as an owner's policy. In some parts of the country, however, the standard purchase of an owner's policy of title insurance is not as well established. As a result, CFPB determined consumers were better served by showing the full, not discounted, loan policy premium in all situations on both the Loan Estimate and the Closing Disclosure instead of, where applicable, the discounted premium. If an owner's policy is also purchased in the transaction, a formula is used to discount the owner's policy. In those areas where custom and practice provide that a buyer/borrower pay for both the owner's and lender's policies, the total actual amount paid for both policies is the same, even though the actual premium amounts are incorrect on the form.

Although not applicable in South Carolina but perhaps even more problematic are those areas where custom provides the seller pay for the owner's policy and the buyer purchase the lender's policy. In these areas, the policy premium for the lender's policy will be overstated and the owner's policy premium understated. As a result, look for an adjustment to be made on page 3 of the new Closing Disclosure form to correct premium amounts to those contemplated by the parties in their contract.

These new forms pose the challenge of disrupting a process that has been in place for approximately 40 years. It wasn't perfect by any standard, but I believe most would defend it as a system that worked and was familiar to all repeat clients. The bigger concern, however, is not the inconvenience of getting used to new forms but rather the impact the Closing Disclosure delivery will have on the timing of our real estate closings.

Disclosure Time Periods: 3 Day Periods = 8 days?[ii]

As a part of the final rule creating these two new combined forms, the CFPB mandated borrowers have three business days after receipt of the Closing Disclosure to review the form and its contents. Thus, in the best case scenario, lenders would need to have all final numbers and loan documents prepared at least 3 business days prior to closing. Note, however, that the three-day review period commences upon "receipt" of the form by the borrower.

Under the new CFPB rules, unless some positive confirmation of the receipt of the form can be evidenced in writing, the form is "deemed received" 3 business days after the delivery process is started (*e.g.*, placed in the mail, dropped off to FedEx, emailed, etc.).[iii] The only example the present CFPB final rules provide that doesn't not require this default automatic 3 business days delay until the commencement of the borrower's review period is by personal delivery. The notes[iv] of the final rules do acknowledge that the borrower may in certain instances provide positive confirmation of receipt of the form and waive the remaining time period before the review period can begin. The borrower cannot waive the 3 day review period except for bona fide personal financial emergencies[v] (*e.g.*, imminent foreclosure sale). Thus, the combination of the "delivery time period" and the "review time period" results in a total of 6 business days from mailing to loan signing.

I wish the bureaucratic confusion ended there. The CFPB has two standards for determining "business days" in calculating its mandatory time periods. For purposes of the Loan Estimate and any of its subsequent revisions, business days include any day the creditor is open for business and offers the majority of its services. Most lenders are not open on Saturdays. For all other purposes (*i.e.*, the Closing Disclosure Statement), business day means all calendar days except Sundays and legal public holidays specified in 5 U.S.C. 6103(a). Thus, Saturday's are included. In short, if the Closing Disclosure Statement is sent to the Purchaser on a Monday, the first day closing may occur[vi] is the following Monday (M-W delivery period and Th-Sat review period).

RE-DISCLOSURE OF CLOSING DISCLOSURE:

Now, are you ready for a little more heartburn? Since the buyer/borrower will receive a Closing Disclosure several days before the closing (and likely a few days before a walk-through on the property), buyers/borrowers will likely receive a new, adjusted Closing Disclosure at the closing showing any changes that occurred between the initial disclosure and the closing, including adjustments due to timing of the closing, walkthrough adjustments and other matters. But changes may not end there and CFPB mandates that changes in financial disclosure numbers (*e.g.*, last minute cleaning fee, invoice for CL-100, follow-up inspection before closing, etc.) must be re-disclosed, even post-closing.

Note, redisclosing does not necessarily require another 3 business day review period. Essentially, there are 3 changes before closing that will mandate a new waiting period[vii]:

> i. Annual Percentage Rate (APR)[viii];
> ii. Loan Products (*e.g.*, fixed to ARM)[ix]; or
> iii. Prepayment Penalty.[x]

The Consumer Financial Protection Bureau tried to give industry leeway by saying that only a change in major loan terms would trigger a new three business day waiting period; the Bureau, however, also made it clear that lenders would essentially be liable for the documents including the Closing Disclosure. Thus lenders are taking a conservative approach for good reason: a loan that has a potential RESPA/TILA error will at a minimum be even more difficult to sell on the secondary market. So closing professionals need to be wary that lenders are soon going to want to make sure there is no chance of this and will therefore not be very tolerant of last minute changes.

Real estate and other industry professionals should no longer expect to be able to make last minute changes at the closing. They should prepare their clients for this as well. A good rule of thumb then is if you want to close on September 30, make sure everything is ready on the 23rd of September. Some may try to point to the "bona fide financial emergency" exception and feel this is a way around the three business day rule, but alas it is not – the bona fide emergency must be a serious emergency – not losing a locked in interest rate for example but rather more like one will be bankrupt if the deal does not close. And one will have to put it in writing in one's own words, not a form letter. Even then, it will have to be approved by the lender and given the way loans are actually made and closed, the ultimate lender will not likely be present at the closing so this approval (and approval of any other changes for that matter) will not be quick, if it comes at all.

Finally, it is a good idea to add at least a 15 day automatic extension to the closing deadline for delays caused by no fault of either party; this safeguard is preferable to simply extending the stated closing deadline and other contingencies and deadlines as the loan underwriters have a long-standing habit of procrastinating to the very last second of whatever deadline is in the contract. So if you close in 30 days normally, still leave the 30 day deadline in the contract but with the automatic extension, count on 45. If it is 60, then count on 75. We hope and expect that after people get used to the changes, the process will move more quickly again and things will be more flexible. Until then, however, it is best to give yourself and everyone else in the transaction a little extra time to avoid being in default and the arguments that often ensue.

So with these few key points to take away from this article:

- Make sure clients are ready 7 days prior to closing;
- Make sure sellers abide by their agreements;
- Have buyers start the loan process immediately;
- Keep communications tight;
- Add a 15 day extension to closing deadline;
- Do the walk-through earlier − enough time to allow for changes without redisclosure

REALTORS & REFERRAL FEES

The CFPB is actively policing alleged violations of Section 8 of the Real Estate Settlement Procedures Act (RESPA). Section 8(a) of RESPA prohibits referral fees, kickbacks, or unearned fees with respect to residential mortgage settlement services involving a federally related mortgage loan. For example, Long & Foster Real Estate is presently embroiled in a RESPA suit in which they are alleged to be in cahoots with another company sharing settlement fees and are facing penalties in excess of $11 million dolars. In the past 2 years, the CFPB has acted against a number of settlement service providers and those allegedly referring business to them, including mortgage lenders, mortgage insurers, homebuilders and law firms, with penalties of $50,000 to over $15 million.

Distilled down to its simplest form, the CFPB is looking for any compensation received for referring any business, as opposed to a payment of a bona fide salary or compensation for services actually performed in connection with the real estate transaction. Four elements are required for a Section 8(a) violation:

1. A settlement service involving a federally related mortgage loan. RESPA defines a federally related mortgage loan as a loan secured by a first or subordinate lien on a one-to-four family residential dwelling (including manufactured homes)

that meets certain other criteria. A federally related mortgage loan means any loan that places a lien on a one-to-four family property and includes both government-insured and conventional mortgage loans.

2. A referral of business incident to or part of a settlement service pursuant to an agreement or understanding. Please be aware that the agreement or understanding does not have to be written or verbalized, but may be established by practice, pattern, or course of conduct.

3. Payment or receipt of a fee or thing of value. HUD's regulations provide that a fee or thing of value is virtually anything one receives in consideration for referring a settlement service, including, but not limited to:

- Money or fees
- Discounts
- Duplicate payments of a charge
- Stock, dividends, distribution of profits
- Credits representing money that may be paid at a future date
- Opportunity to participate in a moneymaking program
- Retained or increased earnings
- Increased equity in a parent or subsidiary entity
- Special bank deposits or accounts, or special or unusual banking terms
- Services of all types at special or free rates
- Lease or rental payments based in whole or in part on the amount of business referred
- Trips and payment of another person's expenses
- Reduction in credit against an existing obligation

4. For the referral of settlement service business.

§8(B) – Prohibition Against Splitting Unearned Fees

In addition to the prohibition on kickbacks and referral fees, RESPA prohibits a person from giving and receiving any portion, split, or percentage of any fee charged or received for a real estate settlement service in connection with a federally related mortgage loan, unless the portion of the fee is for services actually performed.

Three elements are required for a Section 8(b) violation: (1) a settlement service involving a federally related mortgage loan; (2) a split of an unearned fee between two or more parties or a mark-up of an unearned fee; and (3) a payment for the referral of business, rather than for services actually performed.

§8(C) – Exceptions to the Anti-Kickback Prohibitions

Despite the prohibitions in Section 8 of RESPA, Congress understood that a number of business referrals that occur in the settlement service industry do not harm consumers. As a result, Congress permitted certain conduct to be exempt from RESPA and HUD's scrutiny. If a fee or thing of value is paid under one of these exceptions, the person or entity does not violate RESPA.[xi]

Section 8(D) – Enforcement of Section 8

Real estate brokers and agents should be aware that RESPA authorizes harsh penalties for those in violation of Section 8. Specifically, to enforce the prohibitions against kickbacks and the splitting of fees, Section 8(d) gives HUD the authority to impose the following penalties:

- Civil and criminal penalties
- Imprisonment for up to one year
- A fine of up of $10,000
- Both imprisonment and a fine
- Treble damages, which means a person who violates Section 8 of RESPA must pay three times the amount of the charge for the settlement service involved in the violation.

RESPA also authorizes the following entities or persons to sanction violators:

- State attorney generals and state insurance commissioners
- HUD, in the case of FHA-insured or VA-guaranteed loans
- Consumers

If a person or entity violates the anti-kickback provisions of RESPA, a consumer has one year to bring an action in court in connection with the violation. The government, however, may bring an action within 3 years of the violation. Business competitors have no standing to bring a law suit to enforce RESPA. Over the past couple of years, HUD has increased its enforcement staff and stepped up its pursuit of RESPA violators. From these efforts, note that HUD often has focused its enforcement efforts on real estate brokers and affiliated business arrangements. I have heard the the CFPB is allocating over 70% of its funding towards enforcement. So the bottom line is the RESPA rules governing kickbacks and unearned fee splitting is very serious and poses a nasty threat to the unwary. The specific nuances that determine whether a realtor has treaded on dangerous ground is beyond the scope of this Newsletter. A useful resource can be found on the National Association of Realtors' website:

http://www.realtor.org/topics/real-estate-settlement-procedures-act-respa/respa-faq

This Newsletter is based on current law at the time written and is for informational purposes only and under no circumstances constitutes legal advice. It is important that you discuss all legal options and consequences with a qualified attorney prior to any action. Should you wish to discuss any questions with us, to schedule a consultation, or to request additional Newsletters, please call our office at (843) 795-1909 or visit our website: **www.Bradshaw-Company.com.**

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[i] §1024.5, 1026.3 and 1026.19
[ii] § 1026.19(f)(1)(ii)
[iii] § 1026.19(f)
[iv] It is still unclear how much authority the notes will have and to what extent we are able to rely on them.
[v] §1026.19(f)(1)(iv)
[vi] Consummation is defined as "the time that a consumer becomes contractually obligated on a credit transaction.
[vii] § 1026.19(f)(2)(ii)
[viii] The APR's accuracy is determined according to § 1026.22. (§ 1026.19(f)(2)(ii)(A))
[ix] § 1026.19(f)(2)(ii)(B)
[x] Presumably only if a prepayment penalty is added. (§ 1026.19(f)(2)(ii)(C)).
[xi] For a discussion of these exceptions, please see the URL provided at the end of this Article.

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED	2/15/2013
APPLICANTS	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345
PROPERTY	456 Somewhere Avenue Anytown, ST 12345
SALE PRICE	$180,000

LOAN TERM	30 years
PURPOSE	Purchase
PRODUCT	Fixed Rate
LOAN TYPE	☒ Conventional ☐ FHA ☐ VA ☐ _____________
LOAN ID #	123456789
RATE LOCK	☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT *Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on* ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

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

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

Costs at Closing

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

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

Closing Cost Details

Loan Costs

A. Origination Charges	$1,802
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097

B. Services You Cannot Shop For	$672
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110

C. Services You Can Shop For	$3,198
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261

D. TOTAL LOAN COSTS (A + B + C)	$5,672

Other Costs

E. Taxes and Other Government Fees	$85
Recording Fees and Other Taxes	$85
Transfer Taxes	

F. Prepaids	$867
Homeowner's Insurance Premium (6 months)	$605
Mortgage Insurance Premium (months)	
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)	$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing			
G. Initial Escrow Payment at Closing			$413
Homeowner's Insurance	$100.83	per month for 2 mo.	$202
Mortgage Insurance		per month for mo.	
Property Taxes	$105.30	per month for 2 mo.	$211

H. Other	$1,017
Title – Owner's Title Policy (optional)	$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	$2,382

J. TOTAL CLOSING COSTS	$8,054
D + I	$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	$8,054
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit	– $10,000
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$16,054

Additional Information About This Loan

LENDER	Ficus Bank	**MORTGAGE BROKER**	
NMLS/__ LICENSE ID		**NMLS/__ LICENSE ID**	
LOAN OFFICER	Joe Smith	**LOAN OFFICER**	
NMLS/__ LICENSE ID	12345	**NMLS/__ LICENSE ID**	
EMAIL	joesmith@ficusbank.com	**EMAIL**	
PHONE	123-456-7890	**PHONE**	

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	$56,582 $15,773	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we
- [ ] will allow, under certain conditions, this person to assume this loan on the original terms.
- [x] will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than *15* days late, we will charge a late fee of *5% of the monthly principal and interest payment.*

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend
- [ ] to service your loan. If so, you will make your payments to us.
- [x] to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date Co-Applicant Signature Date

Closing Disclosure

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

Closing Information		Transaction Information		Loan Information	
Date Issued	4/15/2013	**Borrower**	Michael Jones and Mary Stone	**Loan Term**	30 years
Closing Date	4/15/2013		123 Anywhere Street	**Purpose**	Purchase
Disbursement Date	4/15/2013		Anytown, ST 12345	**Product**	Fixed Rate
Settlement Agent	Epsilon Title Co.	**Seller**	Steve Cole and Amy Doe		
File #	12-3456		321 Somewhere Drive	**Loan Type**	☒ Conventional ☐ FHA
Property	456 Somewhere Ave		Anytown, ST 12345		☐ VA ☐ _____________
	Anytown, ST 12345	**Lender**	Ficus Bank	**Loan ID #**	123456789
Sale Price	$180,000			**MIC #**	000654321

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

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

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

Costs at Closing

Closing Costs	$9,712.10	Includes $4,694.05 in Loan Costs + $5,018.05 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Cash to Close	$14,147.26	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

Closing Cost Details

Loan Costs

Loan Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges	**$1,802.00**				
01 0.25 % of Loan Amount (Points)	$405.00				
02 Application Fee	$300.00				
03 Underwriting Fee	$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	**$236.55**				
01 Appraisal Fee to John Smith Appraisers Inc.					$405.00
02 Credit Report Fee to Information Inc.		$29.80			
03 Flood Determination Fee to Info Co.	$20.00				
04 Flood Monitoring Fee to Info Co.	$31.75				
05 Tax Monitoring Fee to Info Co.	$75.00				
06 Tax Status Research Fee to Info Co.	$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	**$2,655.50**				
01 Pest Inspection Fee to Pests Co.	$120.50				
02 Survey Fee to Surveys Co.	$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	$650.00				
04 Title – Lender's Title Insurance to Epsilon Title Co.	$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	$500.00				
06 Title – Title Search to Epsilon Title Co.	$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	**$4,694.05**				
Loan Costs Subtotals (A + B + C)	$4,664.25	$29.80			

Other Costs

Other Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
E. Taxes and Other Government Fees	**$85.00**				
01 Recording Fees Deed: $40.00 Mortgage: $45.00	$85.00				
02 Transfer Tax to Any State			$950.00		
F. Prepaids	**$2,120.80**				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	$1,209.96				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest ($17.44 per day from 4/15/13 to 5/1/13)	$279.04				
04 Property Taxes (6 mo.) to Any County USA	$631.80				
05					
G. Initial Escrow Payment at Closing	**$412.25**				
01 Homeowner's Insurance $100.83 per month for 2 mo.	$201.66				
02 Mortgage Insurance per month for mo.					
03 Property Taxes $105.30 per month for 2 mo.	$210.60				
04					
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other	**$2,400.00**				
01 HOA Capital Contribution to HOA Acre Inc.	$500.00				
02 HOA Processing Fee to HOA Acre Inc.	$150.00				
03 Home Inspection Fee to Engineers Inc.	$750.00			$750.00	
04 Home Warranty Fee to XYZ Warranty Inc.			$450.00		
05 Real Estate Commission to Alpha Real Estate Broker			$5,700.00		
06 Real Estate Commission to Omega Real Estate Broker			$5,700.00		
07 Title – Owner's Title Insurance (optional) to Epsilon Title Co.	$1,000.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	**$5,018.05**				
Other Costs Subtotals (E + F + G + H)	$5,018.05				

	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
J. TOTAL CLOSING COSTS (Borrower-Paid)	**$9,712.10**				
Closing Costs Subtotals (D + I)	$9,682.30	$29.80	$12,800.00	$750.00	$405.00
Lender Credits					

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?	
Total Closing Costs (J)	$8,054.00	$9,712.10	**YES**	• See **Total Loan Costs (D)** and **Total Other Costs (I)**
Closing Costs Paid Before Closing	$0	− $29.80	**YES**	• You paid these Closing Costs **before closing**
Closing Costs Financed (Paid from your Loan Amount)	$0	$0	**NO**	
Down Payment/Funds from Borrower	$18,000.00	$18,000.00	**NO**	
Deposit	− $10,000.00	− $10,000.00	**NO**	
Funds for Borrower	$0	$0	**NO**	
Seller Credits	$0	− $2,500.00	**YES**	• See Seller Credits in **Section L**
Adjustments and Other Credits	$0	− $1,035.04	**YES**	• See details in **Sections K and L**
Cash to Close	$16,054.00	$14,147.26		

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing					**$189,762.30**
01	Sale Price of Property				$180,000.00
02	Sale Price of Any Personal Property Included in Sale				
03	Closing Costs Paid at Closing (J)				$9,682.30
04					
Adjustments					
05					
06					
07					
Adjustments for Items Paid by Seller in Advance					
08	City/Town Taxes		to		
09	County Taxes		to		
10	Assessments		to		
11	HOA Dues	4/15/13	to	4/30/13	$80.00
12					
13					
14					
15					
L. Paid Already by or on Behalf of Borrower at Closing					**$175,615.04**
01	Deposit				$10,000.00
02	Loan Amount				$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to				
04					
05	Seller Credit				$2,500.00
Other Credits					
06	Rebate from Epsilon Title Co.				$750.00
07					
Adjustments					
08					
09					
10					
11					
Adjustments for Items Unpaid by Seller					
12	City/Town Taxes	1/1/13	to	4/14/13	$365.04
13	County Taxes		to		
14	Assessments		to		
15					
16					
17					

CALCULATION	
Total Due from Borrower at Closing (K)	$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	− $175,615.04
Cash to Close ☒ From ☐ To Borrower	**$14,147.26**

SELLER'S TRANSACTION

M. Due to Seller at Closing					**$180,080.00**
01	Sale Price of Property				$180,000.00
02	Sale Price of Any Personal Property Included in Sale				
03					
04					
05					
06					
07					
08					
Adjustments for Items Paid by Seller in Advance					
09	City/Town Taxes		to		
10	County Taxes		to		
11	Assessments		to		
12	HOA Dues	4/15/13	to	4/30/13	$80.00
13					
14					
15					
16					
N. Due from Seller at Closing					**$115,665.04**
01	Excess Deposit				
02	Closing Costs Paid at Closing (J)				$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to				
04	Payoff of First Mortgage Loan				$100,000.00
05	Payoff of Second Mortgage Loan				
06					
07					
08	Seller Credit				$2,500.00
09					
10					
11					
12					
13					
Adjustments for Items Unpaid by Seller					
14	City/Town Taxes	1/1/13	to	4/14/13	$365.04
15	County Taxes		to		
16	Assessments		to		
17					
18					
19					

CALCULATION	
Total Due to Seller at Closing (M)	$180,080.00
Total Due from Seller at Closing (N)	− $115,665.04
Cash ☐ From ☒ To Seller	**$64,414.96**

Additional Information About This Loan

Loan Disclosures

Assumption
If you sell or transfer this property to another person, your lender
☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☒ will not allow assumption of this loan on the original terms.

Demand Feature
Your loan
☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
☒ does not have a demand feature.

Late Payment
If your payment is more than *15* days late, your lender will charge a late fee of *5% of the monthly principal and interest payment.*

Negative Amortization (Increase in Loan Amount)
Under your loan terms, you
☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☒ do not have a negative amortization feature.

Partial Payments
Your lender
☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
☐ does not accept any partial payments.
If this loan is sold, your new lender may have a different policy.

Security Interest
You are granting a security interest in
456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account
For now, your loan
☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1	$2,473.56	Estimated total amount over year 1 for your escrowed property costs: *Homeowner's Insurance* *Property Taxes*
Non-Escrowed Property Costs over Year 1	$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: *Homeowner's Association Dues* You may have other property costs.
Initial Escrow Payment	$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	$206.13	The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,
Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	$285,803.36
Finance Charge. The dollar amount the loan will cost you.	$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

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Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at **www.consumerfinance.gov/mortgage-closing**

Other Disclosures

Appraisal
If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details
See your note and security instrument for information about
- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure
If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

☒ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.

☐ state law does not protect you from liability for the unpaid balance.

Refinance
Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions
If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@ epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date

Co-Applicant Signature Date