

Subject: CIM # 39 – Differing Interest Calculations – General Disclosures		
Impacted Departments: Disclosures, Funding,	Total Pages: 1	
Servicing and Accounting		
Effective Date: October 15, 2018		

Purpose

To address the differences in interest calculation applied to monthly payments versus payoffs based on 360-days or 365-days.

Currently, CSC is collecting interest on monthly payments on a 360-day schedule. Historically, CSC has collected interest for payoffs on a 360-day schedule. CSC's new system, Servicing Director, allows for 360-day interest calculations on monthly payments but not for payoffs.

12 CFR 1026.17 pertaining to general disclosures, specifically, 12 CFR 102.17(c)(3)(iii) involving minor variations, states that when providing the basis for disclosures and estimates, a creditor may disregard the effects of months that have different number of days.

CFPB's comments regarding Section 1026.17(c)(3) state that:

- 1.(ii). Creditors may base their disclosures on calculation tools that assume that all months have an equal number of days, even if their practice is to take account of the variations in months for purposes of collecting interest. For example, a creditor may use a calculation tool based on a 360-day year, when it in fact collects interest by applying a factor of 1/365 of the annual rate to 365 days. This rule does not, however, authorize creditors to ignore, for disclosure purposes, the effects of applying 1/360 of an annual rate to 365 days.
- 2. Use of special rules. A creditor may utilize the special rules in § 1026.17(c)(3) for purposes of calculating and making all disclosures for a transaction or may, at its option, use the special rules for some disclosures and not others.

Based on CFPB's guidelines, CSC interprets that the statute allows for different interest disclosures on monthly payments for a 360-day calculation and interest calculations disclosed to borrower on payoffs for a 365-day calculation.

Impacted Departments and Personnel

Loan Servicing and Accounting – Departments associated calculating payoffs or reinstatements will have to be cognizant of potential variances.



Policy

CSC may disclose and collect interest on monthly payments on a 360-day schedule. On payoffs, CSC may disclose and collect interest based on a 365-day calculation.

Revision Date	Details	Compliance Approved
9/20/18	Drafted	
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