



1700 G Street NW, Washington, D.C. 20552

Trial Disclosure Program Waiver Template

November 21, 2023

The Independent Community Bankers of America (ICBA) has submitted an application (Application) for a Trial Disclosure Program Waiver Template (TDP Waiver Template or Template) to the Consumer Financial Protection Bureau (CFPB) under the CFPB's Policy to Encourage Trial Disclosure Programs (Policy).¹

According to ICBA, the Application aims to increase the availability of affordable single-close construction-to-permanent loans, i.e., a loan transaction that combines a construction phase loan with a permanent mortgage loan once the home is built, and employs a single closing and single set of closing costs. ICBA states that it is not uncommon in rural or small-town communities for first-time homebuyers to build their first home because there are limited existing affordable and good quality “starter” homes. ICBA further states that community banks are the main suppliers of construction loan financing in many small towns and rural markets, and that many community banks are reluctant to offer such loans based on concerns about complying with certain requirements of the CFPB’s Loan Estimate disclosure (LE) (12 CFR 1026.37) and Closing Disclosure (CD) (12 CFR 1026.38).

The Application asserts that the LE and the CD were primarily designed for standard home purchase or refinance mortgage loans and as currently configured do not sufficiently disclose all components of consumer construction and construction-to-permanent loans. ICBA believes that consumer understanding of construction loans would be improved by disclosures that ICBA views as more specifically tailored to such loans, and that more community banks would offer such loans if they could use such disclosures. ICBA further believes its proposed alternative LE and the CD will more fully disclose all the various components of a single-close construction-to-

¹ The Application is published at <https://www.consumerfinance.gov/about-us/blog/new-proposal-for-alternative-mortgage-disclosures-for-construction-loans/>.

permanent loan. In an attachment to the Application, ICBA described in detail its proposed changes to the LE and CD for construction loans.

The CFPB has considered and grants ICBA's Application, and accordingly issues this TDP Waiver Template pursuant to the Policy. This TDP Waiver Template:

- is based on the factual representations made in the Application,
- is non-operative and non-binding on the CFPB,
- does not constitute the CFPB's endorsement of ICBA, the alternative construction loan disclosures proposed by ICBA, or any statements made in ICBA's Application, and
- will be published on the CFPB's website.

Applications for a TDP Waiver Based on This Template

The CFPB will accept applications from lenders for a TDP Waiver based on this TDP Waiver Template, under Section E.1.b of the Policy. The CFPB is interested in receiving applications from a number of lenders, rather than a single market participant.

In general, such applications should include the information specified in section A of the Policy, but with appropriate adjustments given that they will be based on this TDP Waiver Template. In particular, such applications should include a statement that the application is based on this TDP Waiver Template, and that the applicant wishes to conduct in-market testing of the trial versions of the LE and the CD described in the Addendum to this Template.²

The Policy asks applicants for a TDP Waiver to identify the specific regulatory or statutory provisions that the CFPB needs to waive to permit in-market testing of the proposed disclosures. In its template application, ICBA broadly identifies 12 CFR 1026.37 and 12 CFR 1026.38, as they govern the LE and the CD, respectively. However, the disclosures proposed by ICBA do not require a waiver of every single component of these two provisions. Some of the disclosures are currently permitted by the LE and the CD provisions, even if not currently being provided by lenders. In applications for a TDP Waiver based on the Template, the CFPB expects lenders to specifically identify only those portions of 1026.37 and 1026.38 that will require a waiver. That said, successful applicants will also be able to test disclosures covered by the Template that do not require a waiver.

² The Addendum is a modified version of the attachment to ICBA's application that described in detail ICBA's proposed changes to the LE and CD for construction loans. The CFPB has modified the document by omitting a small number of ICBA's proposed changes. This modification limits this TDP Waiver Template to those disclosure changes that, based on the CFPB's current assessment, have the potential to improve the LE and CD. The CFPB has also made some adjustments to disclosures that ICBA has not proposed changing in order to align them with certain changes ICBA has proposed.

The Policy also asks applicants for a TDP Waiver to include in their applications information relating to the in-market testing design they plan to use, including:

- The size, location, and nature of the consumer population to be involved in the testing program, an explanation of how the population was chosen, and a description of any plans to scale or modify the population over the duration of the testing program,³
- A description of test result data that the applicant expects to share with the Bureau,⁴ and
- Metrics for evaluating whether the trial disclosures tested actually improve on existing disclosures.⁵

In determining whether to approve or deny an application, the CFPB will carefully evaluate the plan to test the effectiveness of these disclosures. While the CFPB is unable to provide staff support to develop an individualized plan for an applicant, the CFPB plans to provide technical feedback on any application to allow for any modifications by the applicant prior to making a decision to approve or deny an application.

If the CFPB grants an application from a lender for a TDP Waiver based on this TDP Waiver Template, the CFPB intends to provide the lender with the terms and conditions of the waiver in a document entitled: TDP Waiver Terms and Conditions,⁶ and to publish a TDP Waiver Order on the CFPB's website and in the *Federal Register*.

Rohit Chopra
Rohit Chopra
Director, Consumer Financial Protection Bureau

³ Policy, section A.7.

⁴ Policy, section A.8.

⁵ Policy, section A.3.

⁶ See Section C of the Policy.

CONSTRUCTION TO PERMANENT TRID DISCLOSURES

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***Source Material:** CFPB TILA-RESPA Integrated Disclosure: Guide to the Loan Estimate and Closing Disclosure Forms & CFPB TILA-RESPA Integrated Disclosures for Construction Loans: Guide for combined, one-transaction disclosures

**Proposed changes are indicated by red font and (Proposed change) before the content.

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Loan Estimate

General Information

Save this Loan Estimate to compare with your Closing Disclosure.

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

Date Issued

No change

Applicants

No change

Property

No change

Sale Price or Appraised Value or Estimated Value

No change

Loan Term

To clarify the difference between the **Construction Phase** and **Permanent Phase** of financing, the disclosure should state the **Loan Term for Construction Phase “to” Loan Term for Permanent Phase**. The abbreviations for **Years (yr.)** and **Months (mo.)** and rounding to will remain the same as the current TRID rules.

- 9 mo. To 30 yr.
- 1 year to 15yr., 5mo.

1026.37(a)(8)

Purpose

To further clarify the purpose of Construction to Permanent financing, the Construction purpose will be split into **“Construction Only”** and **“Construction to Permanent”**.

1026.37(a)(9)(iii)

Product

The product will be separated into the **Construction Phase** and **Permanent Phase** including the descriptions of **Adjustable Rate, Step Rate, or Fixed Rate** proceeded by any description of special features such as **Negative Amortization, Interest Only, Step Payment, Balloon Payment, Seasonal Payment** listed for each phase.

- 1 year Interest Only, Fixed Rate to 7 Year Balloon Payment, 5/1 Adjustable Rate
- 13 mo. Interest Only, 3/1 Step Rate, to 30 yr. Fixed Rate

1026.37(a)(10)

Loan Type

No change

Loan ID

No change

Rate Lock

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(Proposed change) The rate lock area will need to accommodate the difference between the Construction and Permanent Phases. There may be incidents where the rate may be locked for both phases or neither phase. There are also scenarios where the Construction Rate is known but the Permanent Phase floats until conversion.

RATE LOCK NO YES, until 4/16/2020 at 5:00 p.m. EDT

NO YES, Permanent Financing Rate Float

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 4/4/2020 at 5:00 p.m. EDT

1026.37(a)(13)

Loan Terms

(Proposed change) A second column will be added to the loan terms to better inform the customer of the difference in payment in the **Construction Phase** to **Permanent Phase**.

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

Loan Amount

No Change – Loan amount is the same for the **Construction Phase** and **Permanent Phase**. A single amount will be disclosed in a merged cell over the Construction and Permanent Phases.

Interest Rate

(Proposed change) The creditor will disclose the initial interest rate for both the Construction Phase and Permanent Phase and a “YES” or “NO” statement for each phase as to whether the interest rate may increase after the phase begins. If “YES” is disclosed, four bullet point disclosure providing for detail on the adjustment.

- (Proposed change) If the permanent phase rate is unknown at the time of consummation, estimate the rate and include the term “estimated” under the disclosed rate.

Increase & Bullets

A “YES” disclosure is required if there is a possibility under the terms of the legal obligation that the interest rate may increase after consummation or after conversion to permanent financing. 1026.37(b)(6)(ii)

The bullets may include:

- The frequency of adjustments and timing of the first adjustment;
- The maximum interest rate and when this may first occur;
- A reference to the Adjustable Interest Rate (AIR) Table; and

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- If the loan term may also increase based on the interest rate adjustment, a fourth bullet is required disclosing that fact and the maximum possible loan term.

(Proposed change) *An indicator of which phase the bullet applies to can be added to increase clarification (construction) (permanent) in the order they occur chronologically.*

Adjustment Frequency and Timing

| Loan Situation | When It Applies | Compliant Disclosure |
|---|---|---|
| Unknown fixed permanent phase interest rate | The construction phase has a known fixed rate, the permanent phase interest rate is fixed but unknown until it is identified at conversion to the permanent phase, and the permanent phase interest rate may increase from the interest rate disclosed at or before consummation. | “Adjusts once starting in mo. # (Proposed change) (construction)” “Converts to TERM PRODUCT in mo. # (permanent)” |
| Known fixed permanent phase interest rate, but different fixed rate for the construction phase | The construction phase and permanent phase are known, but different, fixed rates, and the permanent phase rate is higher than the construction phase rate. | “Adjusts once starting in mo. # (Proposed change) (construction)” “Converts to TERM PRODUCT in mo. # (permanent)” |
| Adjustable rate construction phase | The construction phase has an adjustable rate that may increase after consummation and adjusts monthly beginning in month 1. | “Adjusts every mo. starting in mo. 1 (Proposed change) (construction)” “Converts to TERM PRODUCT in mo. # (permanent)” |
| Adjustable-rate permanent phase | The construction phase has a fixed rate, but the permanent phase has an adjustable rate that adjusts yearly beginning in the first month of the permanent phase. | “Adjusts every year starting in mo. 11 (Proposed change) (permanent)” “Converts to TERM ARM PRODUCT in mo. # (permanent)” |

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Maximum Interest Rate and Timing

| Loan Situation | When It Applies | Compliant Disclosure |
|---|---|--|
| Unknown fixed permanent phase interest rate | The construction phase has a known fixed rate, the permanent phase interest rate is fixed but unknown until it is identified at conversion to the permanent phase, and the permanent phase interest rate may increase from the interest rate disclosed at or before consummation. | “Can go as high as ##% in mo. ## (Proposed change) (permanent)” |
| Known fixed permanent phase interest rate, but different fixed rate for the construction phase | The construction phase and permanent phase are known, but different, fixed rates, and the permanent phase rate is higher than the construction phase rate. | “Goes as high as ##% in mo. ## (Proposed change) (permanent)” |
| Adjustable-rate construction phase | The construction phase has an adjustable rate that may increase after consummation and adjusts monthly beginning in month 1. | “Can go as high as ##% in mo. ## (Proposed change) (construction)” |
| Adjustable-rate permanent phase | The construction phase has a fixed rate, but the permanent phase has an adjustable rate that adjusts yearly beginning in the first month of the permanent phase. | “Can go as high as ##% in mo. ## (Proposed change) (permanent)” |

- (Proposed change) See AP Table on page 2 for details – will also be a bullet point for the interest rate

Example 1: Unknown fixed permanent phase interest rate

| Loan Terms | CONSTRUCTION | PERMANENT | Can this amount increase after closing? |
|---------------|--------------|------------------|--|
| Loan Amount | \$000,000 | NO | |
| Interest Rate | 0.000% | 0.000% estimated | YES <ul style="list-style-type: none"> • Adjusts once starting in mo. # (construction) • Converts to ## yr fixed in mo. # (permanent) • Can go as high as ##% in mo. ## (permanent) |

See AP Table on page 2 for details

Example 2: Known fixed permanent phase interest rate, but different fixed rate for the construction phase

| Loan Terms | CONSTRUCTION | PERMANENT | Can this amount increase after closing? |
|---------------|--------------|-----------|--|
| Loan Amount | \$000,000 | NO | |
| Interest Rate | 0.000% | 0.000% | YES <ul style="list-style-type: none"> • Adjusts once starting in mo. # (construction) • Converts to ## yr fixed in mo. # (permanent) • Goes as high as ##% in mo. ## (permanent) |

See AP Table on page 2 for details

Example 3: Adjustable-rate construction phase

| Loan Terms | CONSTRUCTION | PERMANENT | Can this amount increase after closing? |
|---------------|--------------|-----------|--|
| Loan Amount | \$000,000 | NO | |
| Interest Rate | 0.000% | 0.000% | YES <ul style="list-style-type: none"> • Adjusts every mo. starting in mo. # (construction) • Can go as high as ##% in mo. ## (construction) • Converts to ## yr fixed in mo. # (permanent) |

See AP Table on page 2 for details



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Example 4: Adjustable-rate permanent phase

| Loan Terms | CONSTRUCTION | PERMANENT | Can this amount increase after closing? |
|---------------|--------------|-----------|--|
| Loan Amount | \$000,000 | | NO |
| Interest Rate | 0.000% | 0.000% | YES • Adjusts every year starting in mo. # (permanent) • Converts to ## yr ##/## ARM in mo. # (permanent) • Can go as high as ##% in mo. ## (permanent) |

See AP Table on page 2 for details

Periodic Principal and Interest Payment Disclosure

As part of the **Periodic Principal and Interest Payment** disclosure in the **Loan Terms Table**, the creditor includes the initial periodic payment applicable at consummation, a “YES” or “NO” statement as to whether the periodic payment may increase after consummation, and if “YES” is disclosed, four bullet point disclosures providing more detail on the adjustment.

1026.37(b)(6)(iii)

(Proposed change) *The Principal and Interest will be listed for the Construction Phase and Permanent Phase in the appropriate columns. And bullet points will designate if they apply to the Construction or Permanent Phase in the order they occur chronologically.*

If “YES” disclosure is required, for example:

- The creditor is estimating the construction phase periodic payment based on Appendix A and the interest is payable only on the amount advanced for the time it is outstanding.
- The permanent phase periodic payment may be higher than the construction phase periodic payment because the payment will switch from interest-only during construction phase to principal and interest during the permanent phase.
- The permanent phase periodic payment may be higher than the construction phase periodic payment because the permanent phase interest rate will not be set until the construction phase converts to the permanent phase, and the permanent phase interest rate may be higher than the construction phase interest rate.
- If the periodic principal and interest payment is unknown at the time of consummation, include the term “estimated” under the disclosed payment.

The bullets:

- The frequency of adjustments and time of the first adjustment;
- The maximum possible payment and date the payment may first reach the maximum;
- The timing of any interest-only period; and
- References to the Adjustable Payments Table if any adjustments are not the result of a change to the interest rate.

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Adjustment Frequency and Timing

| Loan Situation | When It Applies | Compliant Disclosures |
|--|---|---|
| Estimated construction periodic payment | The interest is based only on the amount advance and the construction phase periodic payments are estimated using Appendix A because the actual schedule of advance is not known at or before. | <p>“Adjusts every mo. starting in mo. #1” (Proposed change) (construction)</p> <p>or</p> <p>“Adjusts every mo. starting in year 1” (Proposed change) (construction)</p> <p>(Proposed change) Add “Includes Only Interest and No Principal until mo. # (construction)”</p> |
| Unknown fixed permanent phase interest rate | The fixed interest rate or adjustable rate for permanent phase is unknown at consummation, and during the construction phase interest is accrued on the entire commitment and periodic payment are known. | <p>“Adjusts once starting in mo. ## (Proposed change) (permanent)”</p> <p>“Adjusts every # years starting in mo. # (Proposed change) (permanent)”</p> |
| Change from Interest-only to principal and interest | The interest is accrued on the entire commitment and periodic payments are known, during the construction phase, but the periodic payment may increase upon conversion from interest-only periodic payments during the construction phase to principal and interest periodic payments during the permanent phase. | <p>“Adjusts once starting in mo. ## (Proposed change) (permanent)”</p> <p>“Adjusts every # years starting in mo. # (Proposed change) (permanent)”</p> <p>(Proposed change) Add “Includes Only Interest and No Principal until mo. # (construction)”</p> |

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Maximum Payment and Timing

| Loan Situation | When It Applies | Compliant Disclosures |
|--|---|--|
| Estimated construction periodic payment | The interest is based only on the amount advance and the construction phase periodic payments are estimated using Appendix A because the actual schedule of advance is not known at or before. | “Can go as high as [max payment] in mo. ## (Proposed change) (construction)” Or “Can go as high as [max payment] in year 1” (Proposed change) (construction) |
| Unknown fixed permanent phase interest rate | The fixed interest rate or adjustable rate for permanent phase is unknown at consummation, and during the construction phase interest is accrued on the entire commitment and periodic payment are known. | “Can go as high as [max payment] in mo. ## (Proposed change) (permanent) |
| Change from Interest-only to principal and interest | The interest is accrued on the entire commitment and periodic payments are known, during the construction phase, but the periodic payment may increase upon conversion from interest-only periodic payments during the construction phase to principal and interest periodic payments during the permanent phase. | “Can go as high as [max payment] in mo. ## (Proposed change) (permanent) |

- See AP Table on page 2 for details – will also be a bullet point for the interest rate

Interest-Only Period

| Loan Situation | Compliant Disclosure |
|--|---|
| Both the construction and permanent phases have consecutive interest-only periods | “Includes only interest and no principal until mo. ## (construction & permanent)” |
| Only the construction phase has an interest-only period | “Includes only interest and no principal until mo. ## (construction)” |

Example 1: Estimated construction periodic payment

| | | | | |
|--|-----------------------|-------------------------|-----|---|
| Monthly Principal & Interest See Projected Payments below for your Estimated Total Monthly Payment | \$702.74 estimated | \$1,576.59 estimated | YES | <ul style="list-style-type: none"> Adjusts every mo. starting in mo. 1 (construction) Can go as high as \$1,405 in mo. 1 (construction) Includes only interest and no principal until mo. # (construction) See AP Table on page 2ii for details (construction) |
|--|-----------------------|-------------------------|-----|---|

Example 2: Unknown fixed permanent phase interest rate

| | | | | |
|--|-----------------------|-------------------------|-----|--|
| Monthly Principal & Interest See Projected Payments below for your Estimated Total Monthly Payment | \$702.74 estimated | \$1,576.59 estimated | YES | <ul style="list-style-type: none"> Adjusts every mo. starting in mo. 1 (construction) Can go as high as \$1,405 in mo. 1 (permanent) See AP Table on page 2ii for details |
|--|-----------------------|-------------------------|-----|--|

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Example 3: Change from Interest-only to principal and interest

| | | | | |
|--|-----------------------|------------|------------|--|
| Monthly Principal & Interest See Projected Payments below for your Estimated Total Monthly Payment | \$702.74 estimated | \$1,576.59 | YES | <ul style="list-style-type: none"> Adjusts every mo. starting in mo. 1 (construction) Includes only interest and no principal until mo # (construction) Can go as high as \$1,405 in mo. 1 (permanent) See AP Table on page 2ii for details |
|--|-----------------------|------------|------------|--|

Prepayment Penalty and Balloon Payment

No changes

Project Payments

| Projected Payments | | | |
|--|---|--|---|
| Payment Calculation | CONSTRUCTION YEAR # | PERMANENT YEARS #--# | |
| Principal & Interest | \$0.00 min \$0,000 max only interest | \$0,000.00 | |
| Mortgage Insurance | + 0 | + 0 | |
| Estimated Escrow Amount can increase over time | + 0 | + 0 | |
| Estimated Total Monthly Payment | \$000.00 | \$0,000.00 | |
| Estimated Taxes, Insurance & Assessments Amount can increase over time | \$000 a month | This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2ii for escrowed property costs. You must pay for other property costs separately.</i> | In escrow? <input checked="" type="checkbox"/> YES <input checked="" type="checkbox"/> YES |

Principal & Interest

A creditor is required to disclose the principal and interest periodic payment or range of payments for the Projected Payments Table. Multiple columns, up to four, may be required if certain triggering events are met, such as change in the payment or balloon payments. 1026.37(c)

Construction Periodic Payment

(Proposed change) The first column of the Projected Payments Table discloses the construction phase only. The first column discloses the construction phase period payment or range of payments that is either known or estimated. 1026.37(c)(1)(iii)(B).

- (Proposed change) A column header is added to identify the Construction Phase with time frame rounded to the nearest whole year.

Permanent Initial Periodic Payments

The triggering event of converting to the Permanent Phase triggers a new column with the Permanent column header.

- (Proposed change) A column header is added to identify the Permanent Phase with time frame range rounded to the nearest whole year.

Subsequent Periodic Payments

Other triggering events, such as a balloon payment can trigger the addition of two more columns to the Permanent Phase columns.

- (Proposed change) The time frame range of the subsequent payments rounded to the nearest whole number.

Single vs Range Payment

If one of the triggering events identified in 1026.37(c)(1)(iii) occurs, a creditor is required to disclose a range of payments instead of a single payment. Triggering events for a range of payments in the Projected Payments Table include:

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- There are more triggering events than can be shown in four columns and thus one column must be used to show two or more periodic payment amounts.
- The Principal & Interest payment or range of payments may change more than once in a single year or may change (at least once) in the same year as the initial periodic payment.
- The Principal & Interest payment may adjust based on an interest rate index and the rates are not yet known (i.e., for an Adjustable-Rate loan).

Estimated Principal & Interest

(Proposed change) If the permanent phase interest rate is unknown at the time of consummation the projected principal & interest payment must be estimated based on the estimated rate.

Interest Only Disclosure

In the Projected Payments Table, if the payment or range of payments includes any payment of interest only, use the phrase "only interest" under the amount of the payment or range of payments. 1026(c)(2)(i)

Mortgage Insurance & Estimated Escrow

No change here. Because the construction phase comprises solely the first column of the Projected Payments Table, Comment App. D-7.v.c. would apply. Thus, if the Permanent Phase requires mortgage insurance or escrow, the creditor discloses "0" in the Construction Phase column of the Projected Payments Table for mortgage insurance and a hyphen or dash in the first column of the Projected Payments Table for escrow if those are not required for the construction phase .

(Proposed change) See pages 20 & 21 for more information on potential escrow configurations.

Estimated Total Monthly Payment

No change

Estimated Taxes, Insurance & Assessments

No change

Example

| Projected Payments | | | |
|---|---|--|---|
| Payment Calculation | CONSTRUCTION YEAR # | PERMANENT YEARS #-## | YEARS #-## |
| Principal & Interest | \$0.00 min \$0,000 max <i>only interest</i> | \$0,000.00 min \$0,000.00 max | \$0,000.00 min \$0,000.00 max |
| Mortgage Insurance | + 0 | + \$00.00 | + 0 |
| Estimated Escrow <i>Amount can increase over time</i> | + - | + \$000.00 | + \$000.00 |
| Estimated Total Monthly Payment | \$000.00 | \$0,000.00 | \$0,000.00 |
| Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> | \$000 a month | This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2ii for escrowed property costs. You must pay for other property costs separately.</i> | In escrow? <input checked="" type="checkbox"/> YES <input checked="" type="checkbox"/> YES |

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Costs at Closing

| Costs at Closing | | |
|-------------------------|-------------|--|
| Estimated Closing Costs | \$0,000 | Includes \$0,000 in Loan Costs + \$0,000 in Other Costs – \$0 in Lender Credits. See page 2i & ii for details. |
| Estimated Cash to Close | \$00,000.00 | Includes Closing Costs. See Calculating Cash to Close on page 2ii for details. |

(Proposed change) The **Estimated Closing Costs** are added from page 2i and 2ii from the Loan Estimate. The additional page two will separate charges associated with a construction loan verses a normal purchase or refinance transaction. The reason is to inform the customer of the extra costs associated with a construction loan.

The **Estimated Cash to Close** will also be added from both phases and disclosure on page 2ii **Calculating Cash to Close**.

Loan Costs

(Proposed change) Loan Costs Details are split between the Construction and Permanent Phase of the loan. Page 2i discloses fees associated with the Construction Phase and 2ii for the Permanent Phase. The reason for the distinction is to demonstrate to the consumer the added costs associated with a construction loan.

Page 2i

Closing Cost Details - CONSTRUCTION PHASE - Interest Only for # months

Page 2ii

Closing Cost Details - PERMANENT FINANCING - 30 Year Fixed Rate (starting mo #)

Loan Costs are disclosed in three subheadings, each of which is subtotalized:

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

Disclose the sum of these three subtotals as Total Loan Cost. (1023.37(f))

Origination Charges

These charges are items the consumer will pay to the creditor and loan originator for originating and extending credit. (1026.37(f)(1))

Loan Costs

A. Origination Charges

% of Loan Amount (Points)

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

(Proposed change) If the customer paid to reduce the interest rate for the construction phase of the loan, disclose the amount on Page 2i. If the customer paid to reduce the interest rate for the permanent phase of the loan, disclose the amount on Page 2ii. If the customer paid to reduce both phase rate, disclose the amount paid on each respective Page 2i & 2ii.



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Any other items that the consumer will pay to the creditor and loan originator may also be disclosed, up to 13 individual items per Page 2. 1026.37(f)(ii) If there are more than 13 **Origination Charges** in a given Page 2, disclose the total amount of the items exceeding 12 as **Additional Charges** (1026.37(f)(6)(i) Describe the items, other than for points paid, using terminology that clearly and conspicuously describes the service that is disclosure.

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

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

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

Example:

Construction Phase

| Loan Costs | |
|---------------------------|-------|
| 2i A. Origination Charges | \$750 |
| % of Loan Amount (Points) | |
| Documentation Preparation | \$150 |
| Loan Origination | \$600 |

Permanent Phase

| Loan Costs | |
|----------------------------|---------|
| 2ii A. Origination Charges | \$1,050 |
| 1% of Loan Amount (Points) | |
| Loan Conversion Fee | \$50 |

Services You Cannot Shop For

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

Services You Cannot Shop For might include:

- Appraisal Fee,
- Credit Report fee,
- Flood Determination fee,
- Government funding fee,
- Homeowner's association certification fee,
- Lender's attorney fee,
- Tax status search fee,
- Third-Party subordination fee,
- Title – closing protection letter fee,
- Title – Lender's title insurance policy, and
- An upfront mortgage insurance fee.

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

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

Examination and evaluation of title evidence to determine the insurability of the title being examined and what items to include or exclude in any title commitment and policy to be issued,

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Preparation and issuance of the title commitment or other document that discloses the status of title, identifies the conditions that must be met before the policy will be issued, and obligates the insurer to issue a policy of title insurance if such conditions are met,

Resolution of title underwriting issues and taking steps needed to satisfy any conditions for the issuance of title insurance policies,

Preparation and issuance of the title insurance policies, and

Payment of premiums for any lender's title insurance coverage. (Comment 37(f)(2)-3)

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

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

(Proposed change) Construction & Permanent Phase Services You Cannot Shop For

(Proposed change) Fees associated with **Construction Phase** are disclosed on **Page 2i** such as the Upon Completion Appraisal. The Appraisal Update is performed after the project is completed and will be associated with **Page 2ii Permanent Phase**. At conversion, the lender may want to ensure there are no mechanic's liens on the property resulting on a Title-Lien Search on conversion to **Permanent financing** disclosed on **Page 2ii**.

Services You Can Shop For

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

A creditor permits a consumer to shop for an item if the creditor permits the consumer to select the provider of that item, subject to reasonable requirements (such as appropriate licensing of the provider). (§ 1026.19(e)(1)(vi)(A); Comment 19(e)(1)(vi)-1) Whether a creditor permits a consumer to shop is determined by the relevant facts and circumstances. More information on when a creditor permits a consumer to shop is available in Section 7.5 of the Compliance Guide.

Services You Can Shop For might include:

Pest inspection fee,

Survey fee,

Title – closing agent fee, and

Title – closing protection letter fee. (Comment 37(f)(3)-2)

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

Items that are related to the issuance of title insurance policies may include:

Examination and evaluation of title evidence to determine the insurability of the title being examined and what items to include or exclude in any title commitment and policy to be issued,

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Preparation and issuance of the title commitment or other document that discloses the status of title, identifies the conditions that must be met before the policy will be issued, and obligates the insurer to issue a policy of title insurance if such conditions are met,

Resolution of title underwriting issues and taking steps needed to satisfy any conditions for the issuance of title insurance policies,

Preparation and issuance of the title insurance policies, and

Payment of premiums for any lender's title insurance coverage. (Comment 37(f)(3)-3)

The creditor must disclose the amount of the premium for the lender's title insurance coverage without any adjustment to the premium that might be made for the simultaneous purchase of an owner's title insurance policy. (Comment 37(f)(3)-3) Disclose no more than **14 Services You Can Shop For**. (§ 1026.37(f)(3)(ii)) If there are more than **14 Services You Can Shop For**, disclose the total amount of the items that exceed 13 with the label **Additional Charges**. (§ 1026.37(f)(6)(ii)(B)) An addendum to the **Loan Estimate** can be used to disclose the additional items. (§ 1026.37(f)(6)(ii))

Construction Phase Examples:

Title Company Draws & Inspections

| 2i B. Services You Cannot Shop For | \$616 |
|---|--------------|
| Appraisal Fee | \$550 |
| Credit Report Fee | \$52 |
| Flood Determination Fee | \$12 |
| Flood Monitoring Fee | \$2 |

Lender Draws & Inspections

| 2i B. Services You Cannot Shop For | \$1,466 |
|---|----------------|
| Appraisal Fee | \$550 |
| Credit Report Fee | \$52 |
| Construction Draws | \$500 |
| Flood Determination Fee | \$12 |
| Flood Monitoring Fee | \$2 |
| Inspections | \$350 |

| 2i C. Services You Can Shop For | \$1,698 |
|--|----------------|
| Title - Construction Draws - 5 | \$500 |
| Title - CPL - Buyer | \$25 |
| Title - ICPL - Lender | \$25 |
| Title - Inspections - 5 | \$350 |
| Title - Search & Exam | \$150 |
| Title - Examination | \$250 |
| Title - Title Insurance | \$363 |
| Title - Wire Transfer | \$35 |

| 2i C. Services You Can Shop For | \$848 |
|--|--------------|
| Title - CPL - Buyer | \$25 |
| Title - ICPL - Lender | \$25 |
| Title - Search & Exam | \$150 |
| Title - Examination | \$250 |
| Title - Title Insurance | \$363 |
| Title - Wire Transfer | \$35 |

Permanent Phase Examples:

| 2ii B. Services You Cannot Shop For | \$150 |
|--|--------------|
| Appraisal Completion | \$150 |

| 2ii C. Services You Can Shop For | \$363 |
|---|--------------|
| Title - Lien Search | \$363 |

How to estimate unknown or changed fees

When disclosing on either the Loan Costs Table or the addendum, if any part of these fees is unknown at the time of disclosure, creditors must estimate based on the best information reasonably available to them at the time they provide the disclosure.

Similarly, if the disclosures are made based on the best information reasonably available at the time of disclosure, a creditor does not violate the disclosure requirements in Regulation Z if the items disclosed change because of subsequent events after consummation (for example, if more, unanticipated inspections need to be added after consummation). 12 CFR § 1026.17(e).

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Total Loan Costs

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

(Proposed change) Total Loan Costs are Totaled for both Page 2i & 2ii.

2i D. TOTAL LOAN COSTS (2i A + 2i B + 2i C) \$

2ii D. TOTAL LOAN COSTS (2ii A + 2ii B + 2ii C) \$

Other Costs

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

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

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

Other Costs are established by government action, determined by standard calculations applied to ongoing fixed costs, or based on an obligation incurred by the consumer independently of any requirement imposed by the creditor. (Comment 37(g)-

1) Other items that are required to be paid at or before closing pursuant to the contract for sale between the consumer and a seller are disclosed on the **Loan Estimate** to the extent the creditor has knowledge of those items when it issues the **Loan Estimate**. (Comment 37(g)-2)

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

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

Taxes and Other Government Fees

E. Taxes and Other Government Fees

Recording Fees and Other Taxes

Transfer Taxes

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

Recording Fees and Other Taxes are fees assessed by a government authority to record and index the loan and title documents as required under State or local law, together with any charges or fees imposed by a State or local government that are **not Transfer Taxes**. (Comment 37(g)(1)-1 and -2) **Recording Fees and Other Taxes** do **not** include fees that are based on the sale price of the property or **Loan Amount**. For example, a fee for recording a subordination that is \$20, plus \$3 for each page over three pages, is included as **Recording Fees and Other Taxes**; but a fee of \$1,250 based on 0.5% of the **Loan Amount** is included as **Transfer Taxes**, and **not** included as **Recording Fees and Other Taxes**. (Comment 37(g)(1)-1) Sales tax and other types of tax assessed on the individual settlement services provided are included in the cost of the individual service and are **not** disclosed as **Recording Fees and Other Taxes**.

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

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

If a State law indicates a lien can attach to the consumer's acquired property if the charge is **not** paid, the amount is included as part of **Transfer Taxes**;

If State or local law is unclear or does **not** specifically attribute the amount to the seller or consumer, disclose an amount that is not less than the amount apportioned to the consumer using common practice in the locality of the **Property**. (Comment 37(g)(1)-4)

Transfer taxes to be paid by the seller are **not** disclosed on the **Loan Estimate** as **Transfer Taxes**. (Comment 37(g)(1)-5)

The amount of **Transfer Taxes** disclosed could be modified to the extent the creditor has knowledge of the apportionment of transfer taxes in the contract for sale between the consumer and a seller when it issues the **Loan Estimate**. (Comment 37(g)-2)

When a creditor does **not** have the contract of sale when it issues the **Loan Estimate**, the creditor must use the apportionment of transfer taxes provided for by State or local law, or common practice when State or local law is unclear. (Comment 37(g)(1)-4)

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

Prepays

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

Prepays are:

Homeowner's Insurance Premium,

Mortgage Insurance Premium,

Prepaid Interest,

Property Taxes, and

A maximum of three additional items.

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

Initial Escrow Payment at Closing

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

Homeowner's Insurance,

Mortgage Insurance,

Property Taxes, and

A maximum of five other items.

Also disclose the amount escrowed per month for each item, the number of months collected at consummation and the total

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amount paid. (§ 1026.37(g)(3)(i), (ii), (iii), (v))

Other

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

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

Owner's title insurance,

Credit life insurance,

Debt suspension coverage,

Debt cancellation coverage,

Warranties of home appliances and systems, and

Similar products.

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

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

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

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

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

Commissions of real estate brokers or agents,

Additional payments to the seller to purchase personal property pursuant to the contract of sale,

Homeowner's association and condominium charges associated with the transfer of ownership, and

Fees for inspections **not** required by the creditor but paid by the consumer pursuant to the contract of sale. (Comment 37(g)(4)-4)

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

(Proposed change) Construction vs Permanent Fees

(Proposed change) As with the Loan Cost section, the Other Costs section is completed in the same manner. If Other Costs happen at original consummation, they are disclosed on Page 2i in the Construction Phase. If Other Costs, such as re-recording later when the loan converts to permanent financing, then the fee is disclosed on Page 2ii with the Permanent Phase.

(Proposed change) Prepaids

(Proposed change) Prepaids may apply to the Construction and Permanent Phase separately. During the Construction Phase

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the project can be covered under a Builder's Risk Policy.

(Proposed change) Initial Escrow Payment at Closing

(Proposed change) There may be incidents where a borrower may wish to include an escrow with the Construction Phase, Permanent Phase, or both. RESPA does not allow for the collection of escrow funds in advance not due and payable within the respective 12-month cycle.

(Proposed change) At closing and applied to the Construction Phase Page 2i, an initial escrow can be established using the lot taxes and any mortgage insurance that may apply at consummation.

(Proposed change) On Page 2ii Permanent Phase, the Initial Escrow Payment at Closing can be approximated based on expected taxes, insurance, and mortgage insurance. The Initial Escrow Payment funds may not be collected at the time of closing and must be shown as estimated. The borrower(s) have the option to fund their escrow at the time the loan converts to Permanent Financing. The lender will run an escrow analysis at that time and the borrower can either calculate escrow based off the previous year's lot taxes or opt to deposit more into the escrow account to cover the full estimated taxes for the next year to avoid a shortfall.

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Examples:

Construction Phase

| Other Costs | | |
|--|-------|--|
| 2i E. Taxes and Other Government Fees | \$57 | |
| Recording Fees and Other Taxes Transfer Taxes | \$57 | |
| 2iF. Prepaids | \$500 | |
| Builder's Risk Insurance Premium (12 months) | \$500 | |
| Mortgage Insurance Premium (months) | | |
| Prepaid Interest (\$ per day for days @ %) | | |
| Property Taxes (months) | | |
| 2i G. Initial Escrow Payment at Closing | \$0 | |
| Homeowner's Insurance per month for mo. | | |
| Mortgage Insurance per month for mo. | | |
| Property Taxes per month for mo. | | |
| 2i H. Other | \$873 | |
| Title – Owner's Title Policy (optional) | \$873 | |

Permanent Phase

| Other Costs | | |
|---|---------|--|
| 2ii E. Taxes and Other Government Fees | \$114 | |
| Recording Fees and Other Taxes Transfer Taxes | \$114 | |
| 2ii F. Prepaids | \$1,000 | |
| Homeowner's Insurance Premium (12 months) | \$1,000 | |
| Mortgage Insurance Premium (months) | | |
| Prepaid Interest (\$ per day for days @ %) | | |
| Property Taxes (months) | | |
| 2ii G. Initial Escrow Payment at Closing | \$736 | |
| Homeowner's Insurance \$83 per month for 2 mo. | | |
| Mortgage Insurance \$35 per month for 2 mo. | | |
| Property Taxes \$250 per month for 2 mo. | | |
| 2ii H. Other | \$0 | |

Total Closing Costs

Page 2i & 2ii are added separately on their own respective fee pages.

| 2i I. TOTAL OTHER COSTS (2iE + 2iF + 2iG + 2iH) | \$ |
|--|----|
| | |

| 2ii I. TOTAL OTHER COSTS (2iiE + 2iiF + 2iiG + 2iiH) | \$ |
|---|----|
| | |

| 2i J. TOTAL CLOSING COSTS | \$ |
|----------------------------------|----|
| 2i D + 2i I | \$ |
| Lender Credits | |

| 2ii J. TOTAL CLOSING COSTS | \$ |
|-----------------------------------|----|
| 2ii D + 2ii I | \$ |
| Lender Credits | |

Adjustable Payment (AP) Table

(Proposed change) An AP Table will be present on Page 2i associated with the Construction Phase and describing the conversion from Construction to Permanent Financing.

The Adjustable Payments (AP) Table includes information about Interest Only Payments, Optional Payments, Step Payments, Seasonal Payments, and other details regarding periodic Principal and Interest Payments. 12 CFR § 1026.37(i). The AP Table is required when the periodic principal and interest payments may change after consummation but not based on an adjustment to the interest rate, or if the loan is a seasonal payment product as defined in Regulation Z, 12 CFR § 1026.37(a)(10)(ii)(E). 12 CFR § 1026.37(i).

There are several common scenarios that will trigger the AP Table disclosure for combined construction-permanent disclosures.

Loan Situation

Interest payable only on amount advanced and periodic payments are estimated (including use of Appendix A).

Additional Stipulations

- The periodic principal and interest payment may change because the amounts or timing of advances are unknown at consummation.
- The construction loan interest is payable only on the amount advanced for the time it is outstanding.

Why AP Table is Required

There may be a change to the periodic payment after consummation not based on an adjustment to the interest rate, because the periodic payment may change due to changes in the amount of the principal balance to which the interest rate is applied.

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Loan Situation

Transition from interest-only payments to amortizing periodic payments

Additional Stipulations

- The construction phase has interest-only periodic payments.
- The permanent phase has amortizing periodic payments.

Why AP Table is Required

The shift from interest-only payments to principal and interest payments is a change to the periodic payment after consummation not based on an adjustment to the interest rate.

Adjustable Payment (AP) Table

| | | |
|--|--------------------------------|-----------------------------------|
| 1 | Interest Only Payments? | YES for your first 60 payments |
| | Optional Payments? | NO |
| | Step Payments? | NO |
| | Seasonal Payments? | NO |
| Monthly Principal and Interest Payments | | |
| 2 | First Change/Amount | \$1,028 – \$1,359 at 61st payment |
| 3 | Subsequent Changes | Every three years |
| 4 | Maximum Payment | \$2,068 starting at 169th payment |

1. Interest-Only Payments

Creditors must disclose whether the loan has interest-only payments and, if “YES,” the period during which interest-only periodic payments are scheduled. 12 CFR § 1026.37(i)(1). Such period should be disclosed by describing the number of payments counting from the first periodic payment due after consummation. Comment 37(i)-2.

If both the construction and permanent phases have interest-only periods, the entire span of those periods should be disclosed. Comment 37(i)-2.

2. First Change/Amount

Under Principal and Interest Payments, the creditor must disclose the number of the first payment that may change, counting from the first periodic payment due after consummation, and the amount or range of the periodic principal and interest payment for such payment. 12 CFR § 1026.37(i)(5)(i). Generally, where the amounts or timing of advances are unknown at consummation, the creditor must also disclose the amount or range corresponding to the first periodic payment that may change. 12 CFR § 1026.37(i)(5). The timing must be disclosed as the number of the earliest possible payment (e.g., the 1st payment) that may change, counting from the first periodic payment due after consummation. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)

However, if the creditor estimates the periodic payment using the assumption in Appendix A that applies if interest is payable only on the amount advanced for the time it is outstanding, then the creditor may omit and leave blank the amount or range corresponding to the first periodic payment that may change (but the creditor still must disclose the timing of such payment). Comment App. D-7.iv.

As another example, the AP Table is triggered because of transition from interest-only payments to amortizing payments, and

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in construction-permanent transactions this typically occurs at conversion to the permanent phase. In such a case, if there are interest-only periodic payments during the construction phase that do not change under the terms of the legal obligation, but the permanent phase begins with amortizing periodic payments, the first change is the payment number for the first periodic payment after conversion from the construction phase to the permanent phase.

3. Subsequent Change

Under Principal and Interest Payments, the creditor must disclose the frequency of subsequent changes to the periodic principal and interest payment. 12 CFR § 1026.37(i)(5)(ii). Comment 37(i)(5)-3 provides that if the frequency of adjustments to the periodic payment may change under the terms of the legal obligation, the disclosure should state the shortest period between adjustments that may occur.

If the periodic principal and interest payments may change more than once during the construction phase (because, for example, of changes in the amount advanced) but will not change during the permanent phase, the creditor still must disclose the shortest period between adjustments that may occur in the construction phase as the frequency of subsequent changes in the disclosure. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)-3.

However, if the periodic payments change once upon conversion to the permanent phase but otherwise do not change during the construction and permanent phases under the terms of the legal obligation, the creditor should disclose “No subsequent changes” for the subsequent change disclosure. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)-3.

4. Maximum Payment

Under Principal and Interest Payments, the creditor must disclose the maximum periodic principal and interest payment timing and amount. 12 CFR § 1026.37(i); Comment App. D-7.iv.

The maximum payment amount and timing is based on the maximum possible periodic principal and interest payment taking into account both the construction and permanent phases. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)-4.

Adjustable Interest Rate (AIR) Table

The Adjustable Interest Rate (AIR) Table includes information about the index and margin, the adjustment maximum and minimum, the change frequency, the limitations on the interest rate changes and other details regarding the interest rate adjustments. 12 CFR § 1026.37(j). The AIR Table is required when the interest rate *may increase* after consummation (versus the interest rate disclosed at or before consummation), based on changes to an index or scheduled changes to the interest rate. 12 CFR § 1026.37(j); Comment 37(j)-1. For construction-permanent transactions with a combined disclosure, the AIR Table is required if the interest rate *may increase* from the interest rate applicable to the construction financing at consummation.

In combined construction-permanent loan disclosures, increases in the interest rate from the construction phase interest rate disclosed at consummation may occur because:

- Either phase has an adjustable or step rate;
- The permanent phase fixed interest rate will be higher than the construction phase fixed interest rate (shown on the combined disclosure as a step rate loan product); or
- The permanent phase interest rate is not known at or before consummation, will be identified at conversion, and may be higher than the construction phase interest rate (e.g., the permanent phase interest rate is not capped at or below the construction phase interest rate).

How to complete the AIR Table disclosures for construction-permanent loans will depend on whether the product is an adjustable rate or step rate product.

Adjustable Interest Rate (AIR) Table

| | | |
|---|---------------------------------|-------------------------------------|
| 1 | Index + Margin | MTA + 4% |
| 2 | Initial Interest Rate | 4% |
| 3 | Minimum/Maximum Interest Rate | 3.25%/12% |
| 4 | Change Frequency | |
| | First Change | Beginning of 61st month |
| | Subsequent Changes | Every 36th month after first change |
| 5 | Limits on Interest Rate Changes | |
| | First Change | 2% |
| | Subsequent Changes | 2% |

1 Index and Margin / Interest Rate Adjustments

When the requirement to disclose the AIR Table is triggered because of an adjustable rate that may increase after consummation, either in the construction phase or permanent phase, the creditor must disclose the interest rate index and margin labeled “Index+Margin.” 12 CFR § 1026.37(j)(1); Comment 37(j)(2)-1.

The creditor must *not* disclose the “Interest Rate Adjustments” because this disclosure only applies to a “Step Rate” product under § 1026.37(a)(10)(i)(B), i.e., it does not apply to an “Adjustable Rate” product under § 1026.37(a)(10)(i)(A). 12 CFR § 1026.37(j)(2); Comment 37(j)(2)-1.

2 Initial Interest Rate

The initial interest rate is the interest rate at consummation, i.e., the construction phase interest rate. 12 CFR § 1026.37(j)(3).

3 Minimum/Maximum Interest Rate

The minimum and maximum interest rates required to be disclosed are the minimum and maximum interest rates after any introductory or teaser rate expires (if any), taking into account both the construction and permanent phases. 12 CFR § 1026.37(j)(4); Comment 37(j)(4)-1.

4 Change Frequency

In the Change Frequency section, the “First Change” is required to be disclosed as the first month when the interest rate may change. 12 CFR § 1026.37(j)(5).

The creditor may leave the “Subsequent Changes” disclosure blank if there are not subsequent interest rate changes. Comments 37-1 and 38-1.

5 Limits on Interest Rate Changes

The creditor must disclose the applicable limits to the first and subsequent changes, which if not provided for in the legal obligation are based on any applicable usury or other law. 12 CFR § 1026.37(j)(6). The creditor may leave the disclosure for subsequent changes blank if there are not subsequent interest rate changes. Comments 37-1 and 38-1.

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

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

As **Index + Margin**, take index upon which adjustments to the interest rate will be based and the margin that is added to the index to determine the interest rate. (§ 1026.37(j)(1))

For **Step Rate** products, the maximum amount of any adjustments to the interest rate that are scheduled and pre-determined. (§ 1026.37(j)(2))

The **Initial Interest Rate** at consummation. (§ 1026.37(j)(3))

Step Rate Product

Generally, a step rate product is a loan where the interest rate will change after consummation, and the rates that will apply and the periods for which they will apply are known at consummation. 12 CFR § 1026.37(a)(10)(i)(B). Additionally, for construction-permanent loans with combined disclosures, step rate products can include loans where the construction and permanent phases both have fixed rates, but they are different.

For step rate construction-permanent loan products, if the interest rate *will* increase after consummation due to scheduled changes, then the AIR Table is triggered.

1 Index and Margin / Interest Rate Adjustment

The creditor discloses the “Interest Rate Adjustment” as the maximum amount of any adjustments to the interest rate that are scheduled and pre-determined because the product is a step rate under § 1026.37(a)(10)(i)(B). 12 CFR § 1026.37(j)(2). The creditor must *not* disclose the “Index+Margin” because this disclosure only applies to an “Adjustable Rate” product under 1026.37(j)(1); Comments 37-1, 37(j)(2)-1, and 38-1.

2 Initial Interest Rate

The creditor must disclose the interest rate at consummation, i.e., the construction phase interest rate. 12 CFR § 1026.37(j)(3).

3 Minimum/Maximum Interest Rate

The creditor must disclose the minimum and maximum interest rates after any introductory rate or teaser rate expires (if any), taking into account both the construction and permanent phases. 12 CFR § 1026.37(j)(4).

4 Change Frequency

In the Change Frequency section, the “First Change” is required to be disclosed as the first month when the interest rate may change. 12 CFR § 1026.37(j)(5).

In the Change Frequency section, the creditor is also required to disclose the frequency of any subsequent adjustments to the interest rate, labeled as “Subsequent Changes.” The creditor may leave the “Subsequent Changes” disclosure blank if there are not subsequent interest rate changes. Comments 37-1 and 38-1.

5 Limits on Interest Rate Changes

The creditor must disclose the applicable limits to the first and subsequent changes, which if not provided for in the legal obligation are based on applicable usury or other law.

The creditor may leave the disclosure for subsequent changes blank if there are not subsequent interest rate changes. Comments 37-1 and 38-1.

General

The **Minimum/Maximum Interest Rate** for the loan, after any introductory period expires. (§ 1026.37(j)(4))

ADDENDUM

As **Change Frequency** (§ 1026.37(j)(5)): For **First Change**, list the month when the first interest rate change may occur after consummation (§ 1026.37(j)(5)(i)), and

As **Subsequent Changes**, the frequency of interest rate adjustments after the initial adjustment. (§ 1026.37(j)(5)(ii))

As **Limits on Interest Rate Changes** (§ 1026.37(j)(6)): As **First Change**, the maximum possible change for the first adjustment of the interest rate after consummation (§ 1026.37(j)(6)(i)), and

As **Subsequent Changes**, the maximum possible change for subsequent adjustments of the interest rate. (§ 1026.37(j)(6)(ii))

Index and Margin

The index must be described such that a consumer can reasonably identify it. For example, LIBOR may be used instead of the London Interbank Offered Rate. The margin should be disclosed as a percentage. For example, if the interest rate is calculated by adding 4.25 to LIBOR, the margin should be disclosed as 4.25%. (Comment 37(j)(1)-1)

Maximum/Minimum Interest Rate

The maximum interest rate that applies to the loan under applicable law, such as State usury law, must be disclosed if the loan does **not** provide for a maximum interest rate. (Comment 37(j)(4)-2)

The minimum interest rate that applies to the loan under applicable law must be disclosed if the loan does **not** provide for a minimum interest rate. However, if applicable law does **not** set a minimum interest rate, disclose the amount of the margin as the minimum interest rate. (Comment 37(j)(4)-1)

Change Frequency

Typically, the first change month for the interest rate is scheduled in the terms of the loan, but if the exact month is not known at the time the creditor provides the **Loan Estimate**, the earliest possible month for the first change to the interest rate of the loan must be disclosed based on the best information available to the creditor at the time the **Loan Estimate** is disclosed. (Comment 37(j)(5)-1)

Limits on Interest Rate Changes

The greatest limit on changes in the interest rate must be disclosed when more than one limit applies to changes in the interest rate. For example, if the initial interest rate adjustment is capped at 2%, the second adjustment is capped at 2.5%, and all subsequent adjustments are capped at 3%, 3% is disclosed as **Subsequent Changes**. (Comment 37(j)(6)-1)

Calculating Cash to Close

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

Cost of Construction,

Loan Amount,

Total Closing Costs,

Closing Costs Financed (Paid from your Loan Amount),

Down Payment /Funds from Borrower,

Deposit,

Funds for Borrower,

ADDENDUM

Seller Credits, and

Adjustments and Other Credits.

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

Calculating Cash to Close

| | |
|---|-----------------|
| Cost of Construction | \$409,000 |
| Loan Amount | \$380,000 |
| Total Closing Costs (2i J construction & 2ii J permanent) | \$6,132 |
| Down Payment/Funds from Borrower | \$29,000 |
| Deposit | \$0 |
| Funds for Borrower | \$0 |
| Adjustments and Other Credits | \$0 |
| Estimated Cash to Close | \$35,132 |

(Proposed change) Loan Amount

From Page 1, Loan Amount

(Proposed change) Total Closing Cost

The total of Page 2i J Construction Phase total & 2ii J Permanent Phase total. If the Closing Costs are paid from the financing, it is disclosed as a negative number.

(Proposed change) Down Payment/Funds from Borrower

Figure matching the Construction Cost table for down payment (not including lot equity).

(Proposed change) Deposit

Earnest money for the purchase of a lot.

(Proposed change) Funds for Borrower

Funds held in the Construction Hold Back Fund disclosed in the Construction Cost table on Page 2i.

(Proposed change) Adjustment and Other Credits

Any lot equity or lender credits. Estimated Total Payoffs and Payments for a refinance of any lot loan can be disclosed as an Adjustment or Other Credit.

(Proposed change) Estimated Cash to Close

The amount of money the borrower(s) will need to bring to closing for closing costs, initial escrow, and down payment.

ADDENDUM

Contact Information

No changes

Comparisons

In 5 Years

No changes

Annual Percentage Rate (APR)

(Proposed change) There are two separate APRs disclosed, one for the Construction Phase and one for the Permanent Phase of the loan. The Construction Phase will be designated as an estimate depending on the loan draws for construction. The Permanent Phase may be known and calculated; however, if the rate is unknown at the time of consummation its APR might also be designated as an estimate.

(Proposed change) For information on how to calculate the APR, see 1026.22 and appendix J to Regulation Z 1026.37(i)(2).

Total Interest Percentage (TIP)

No changes

Other Considerations

Appraisal

A statement concerning the **Appraisal** must be provided for:

Higher-priced Mortgage Loans, and

Loans covered by the Equal Credit Opportunity Act. (§ 1026.37(m)(1))

If the loan is a Higher-priced Mortgage Loan, but is **not** covered by the Equal Credit Opportunity Act, the word “promptly” may be removed from the language provided on the model form.

(Proposed change) For a Construction to Permanent Loan, an added disclosure that there may be an appraisal update to ensure value at the time of completion.

Assumption

No Change

Homeowner's Insurance

No Change

Late Payment

No Change

Refinance

No Change

Servicing

No Change

ADDENDUM

Confirm Receipt

No Change

ADDENDUM

Closing Disclosure

Page 1

The information contained on page one of the Construction to Permanent Closing Disclosures follows the same basic principals set forth for the Loan Estimate. See pages 3-12 to complete page 1.

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 | 06/02/2020 | Borrower | Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345 | Loan Term | 1 yr / 30 year |
| Closing Date | 06/08/2020 | Lender | Ficus Bank | Purpose | Construction to Permanent |
| Disbursement Date | 06/08/2020 | | | Product | # mo Interest Only, Fixed Rate |
| Settlement Agent | Epsilon Title Co. | | | Loan Type | <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> |
| File # | 12-3456 | | | Loan ID # | 123456789 |
| Property | 456 Somewhere Ave Anytown, ST 12345 | | | MIC # | 000654321 |
| Estimated Prop. Value | \$475,000 | | | | |
| Loan Terms | | CONSTRUCTION | PERMANENT | Can this amount increase after closing? | |
| Loan Amount | | \$380,000 | NO | | |
| Interest Rate | 4.5% | 2.875% | YES | <ul style="list-style-type: none"> Adjusts once starting in mo. # (construction) Converts to 30 yr fixed in mo. # (permanent) | |
| Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small> | \$702.74 <small>estimated</small> | \$1,546.59 | YES | <ul style="list-style-type: none"> Adjusts every mo., starting in mo. 1 (const) Can go as high as \$1,405 in mo. 1 (const) Includes only Interest and no principal until mo. # (construction) See AP Table on page 21 for details (const) | |
| Prepayment Penalty | | | NO | Does the loan have these features? | |
| Balloon Payment | | | NO | | |
| Projected Payments | | | | | |
| Payment Calculation | CONSTRUCTION YEAR 1 | | PERMANENT | | |
| Principal & Interest | \$0.00 min \$1,405 max <i>only interest</i> | | \$1,576.59 <i>first payment #######</i> | | |
| Mortgage Insurance | + 0 | | + 0 | | |
| Estimated Escrow <small>Amount can increase over time</small> | + 0 | | + 0 | | |
| Estimated Total Monthly Payment | \$702.74 | | \$1,576.59 | | |
| Estimated Taxes, Insurance & Assessments <small>Amount can increase over time See page 4 for details</small> | \$118.91 a month | This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: Homeowner's Association Dues <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i> | | In escrow? NO NO | |
| Costs at Closing | | | | | |
| Closing Costs | \$3,585.00 | Includes \$2,964.00 in Loan Costs + \$621.00 in Other Costs – \$0 in Lender Credits. See page 2i & 2ii for details. | | | |
| Cash to Close | \$32,558.65 | Includes Closing Costs. See Calculating Cash to Close on page 3 for details. | | | |

ADDENDUM**Closing Cost Details – Page 2i &2ii****Loan Costs**

(Proposed change) At the top of each page with the header the loan phase will be clearly labeled for the borrower with the term of that phase along with the loan product associated with that phase.

- CONSTRUCTION PHASE – Interest Only for # months
- PERMANENT FINANCING – 30 Year Fixed Rate (starting MM/DD/YYYY)

(Proposed change) Similar to the fees disclosed on the Loan Estimate, fees associated with the construction phase of the loan will be listed on page 2i & the permanent phase on page 2ii. The fees are placed in the correct column per the existing regulation for Borrower, Seller or Paid by Other (such as contractor or builder), indicating if the fee is to be paid at closing or before closing.

Closing Cost Details - CONSTRUCTION PHASE- Interest Only for # months

| Loan Costs | Borrower-Paid | | Seller-Paid | | Paid by Others |
|---|---------------|-------------------|-------------|----------------|----------------|
| | At Closing | Before Closing | At Closing | Before Closing | |
| Ai. Origination Charges | | \$375.00 | | | |
| 01 % of Loan Amount (Points) | | | | | |
| 02 Document Preparation | \$75.00 | | | | |
| 03 Loan Origination | \$300.00 | | | | |
| 04 | | | | | |
| 05 | | | | | |
| 06 | | | | | |
| 07 | | | | | |
| 08 | | | | | |
| Bi. Services Borrower Did Not Shop For | | \$441.00 | | | |
| 01 Appraisal Fee to John Smith Appraisers Inc. | \$375.00 | | | | |
| 02 Credit Report Fee to Information Inc. | \$52.00 | | | | |
| 03 Flood Determination Fee to Info Co. | \$12.00 | | | | |
| 04 Flood Monitoring Fee to Info Co. | \$2.00 | | | | |
| 05 | | | | | |
| 06 | | | | | |
| 07 | | | | | |
| 08 | | | | | |
| 09 | | | | | |
| 10 | | | | | |
| Ci. Services Borrower Did Shop For | | \$2,148.00 | | | |
| 01 Title - Construction Set Up to Epsilon Title Co. | \$625.00 | | | | |
| 02 Draws - 5 to Epsilon Title Co. | \$150.00 | | | | |
| 03 Title - IL Policy Fee to Epsilon Title Co. | \$3.00 | | | | |
| 04 Title - Inspections - 5 to Epsilon Title Co. | \$375.00 | | | | |
| 05 Title - Owner's Title Insurance to Epsilon Title Co. | \$895.00 | | | | |
| 06 Title - Search & Exam to Epsilon Title Co. | \$100.00 | | | | |
| 07 | | | | | |
| 08 | | | | | |
| Di. TOTAL LOAN COSTS (Borrower-Paid) | | \$2,964.00 | | | |
| Loan Costs Subtotals (A + B + C) | \$2,964.00 | | | | |

ADDENDUM

Closing Cost Details - PERMANENT FINANCING - 30 Year Fixed Rate (starting ######)

| Loan Costs | Borrower-Paid At Closing | Seller-Paid At Closing | Paid by Others |
|---|-----------------------------|---------------------------|-------------------|
| All. Origination Charges | \$75.00 | | |
| 01 % of Loan Amount (Points) | | | |
| 02 Document Preparation | \$75.00 | | |
| 04 | | | |
| 05 | | | |
| 06 | | | |
| 07 | | | |
| 08 | | | |
| BII. Services Borrower Did Not Shop For | \$164.00 | | |
| 01 Appraisal Completion to John Smith Appraisers Inc. | \$150.00 | | |
| 02 Flood Determination Fee to Info Co. | \$12.00 | | |
| 03 Flood Monitoring Fee to Info Co. | \$2.00 | | |
| 04 | | | |
| 05 | | | |
| 07 | | | |
| 08 | | | |
| 09 | | | |
| 10 | | | |
| CII. Services Borrower Did Shop For | \$325.00 | | |
| 01 Title - Lien Search to Epsilon Title Co. | \$325.00 | | |
| 02 | | | |
| 03 | | | |
| 04 | | | |
| 05 | | | |
| 06 | | | |
| 07 | | | |
| 08 | | | |
| DII. TOTAL LOAN COSTS (Borrower-Paid) | \$564.00 | | |
| Loan Costs Subtotals (A + B + C) | \$564.00 | | |
| Other Costs | | | |
| EII. Taxes and Other Government Fees | \$57.00 | | |
| 01 Recording Fees Deed: Mortgage: \$57.00 | \$57.00 | | |
| 02 Transfer Tax to Any State | | | |
| FII. Prepads | \$1,209.96 | | |
| 01 Homeowner's Insurance Premium (12 mo.) to Insurance Co. | \$1,209.96 | | |
| 02 Mortgage Insurance Premium (mo.) | | | |
| 03 Prepaid Interest (per day from to) | | | |
| 04 Property Taxes (mo.) | | | |
| 05 | | | |
| GII. Initial Escrow Payment at Closing | | | |
| 01 Homeowner's Insurance per month for mo. | | | |
| 02 Mortgage Insurance per month for mo. | | | |
| 03 Property Taxes per month for mo. | | | |
| 04 | | | |
| 05 | | | |
| 06 | | | |
| 07 | | | |
| 08 Aggregate Adjustment | | | |
| HII. Other | | | |
| 01 | | | |
| 02 | | | |
| 03 | | | |
| 05 | | | |
| 06 | | | |
| 07 | | | |
| 08 | | | |
| III. TOTAL OTHER COSTS (Borrower-Paid) | \$1,266.96 | | |
| Other Costs Subtotals (E + F + G + H) | \$57.00 | \$1,209.96 | |
| JII. TOTAL CLOSING COSTS (Borrower-Paid) | \$1,827.96 | | |
| Closing Costs Subtotals (D + I) | \$621.00 | \$1,206.96 | |
| Lender Credits | | | |

CLOSING DISCLOSURE

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ADDENDUM

Total Cost of Construction (page 2i)

Construction Contract: The total cost of the project outlined in the Construction Contract. Initial Disbursement if the contractor is getting a draw at the time of closing, Paid outside of closing (POC) if the borrower paid the contractor any money up front.

Lot Purchase or Payoff: Paid outside of closing (POC) if the borrower owned the lot free and clear, Initial Disbursement for a Lot Loan payoff amount, and Financed if the purchase of the lot is part of the loan.

Subcontractor or Other 3rd Party Expense: Any additional expenses associated with the construction of the dwelling outside what is listed in the construction contract.

Contingency Reserves: The amount of reserves for construction overages.

Interest Reserves Account: The amount of interest reserves for the loan.

Other Adjustments: Any other costs or allowances.

Loan Information

This section outlines some of the important details, definitions, and dates of the loan which the borrower may find important.

- **Construction Phase** - Begins on the date of consummation (the "**Closing Date**") until the first day of the month following Completion Date specified in the Construction Loan Agreement.
- **Completion Date** - ##/##/####
- **Permanent Phase** - the period beginning on the first day of the month following the Completion Date specified in the Construction Loan Agreement. The first day of the month following the Completion Date ("**Permanent Mortgage Date**"), the Loan will be a permanent mortgage loan.
- **Permanent Mortgage Date** for my loan is ##/##/####
- **First payment of principal and interest** during the Permanent Phase will be due on the first day of the second month following the Completion Date ##/##/####

Adjustable Payment (AP) Table

(Proposed change) An AP Table will be presented on Page 2i associated with the Construction Phase and describing the conversion from Construction to Permanent Financing.

Calculating Cash to Close (Page 3)

No changes in regulation, but it will be a total of fees for pages 2i & 2ii.

Summaries of Transactions

(Proposed change) The sale price of property is the total cost of construction, not just the price of the lot purchased. The borrower's transactions will reflect the costs of funding the construction loan and the closing costs as well as Initial Advances to the Contractor and POC Lot Purchases.

(Proposed change) If the borrower is purchasing the lot as part of the construction loan, there will be a Seller's Transaction side for the purchase of the lot.

ADDENDUM

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

| | |
|--|---------------------|
| K. Due from Borrower at Closing | \$492,558.65 |
| 01 Sale Price of Property (Total Cost of Construction) | \$488,973.65 |
| 02 Sale Price of Any Personal Property Included in Sale | |
| 03 Closing Costs Paid at Closing (J) | \$3,585.00 |
| 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 | to |
| 12 | |
| 13 | |
| 14 | |
| 15 | |
| L. Paid Already by or on Behalf of Borrower at Closing | \$460,000.00 |
| 01 Deposit | \$0.00 |
| 02 Loan Amount | \$380,000.00 |
| 03 Existing Loan(s) Assumed or Taken Subject to | |
| 04 Initial Loan Advance to Contractor | (\$2,000.00) |
| 05 Seller Credit | |
| Other Credits | |
| 07 | |
| Adjustments | |
| 08 Lot Purchase purchased Before Closing | \$80,000.00 |
| 09 | |
| 10 | |
| 11 | |
| Adjustments for Items Unpaid by Seller | |
| 12 City/Town Taxes | to |
| 13 County Taxes | to |
| 14 Assessments | to |
| 15 | |
| 16 | |
| 17 | |
| CALCULATION | |
| Total Due from Borrower at Closing (K) | \$492,558.65 |
| Total Paid Already by or on Behalf of Borrower at Closing (L) | -\$460,000.00 |
| Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower | \$32,558.65 |

SELLER'S TRANSACTION

| | |
|---|-------------------|
| M. Due to Seller at Closing | \$2,000.00 |
| 01 Sale Price of Property (Lot) | |
| 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 | to |
| 13 | |
| 14 | |
| 15 | |
| 16 | |
| N. Due from Seller at Closing | |
| 01 Excess Deposit | |
| 02 Closing Costs Paid at Closing (J) | |
| 03 Existing Loan(s) Assumed or Taken Subject to | |
| 04 Payoff of First Mortgage Loan | |
| 05 Payoff of Second Mortgage Loan | |
| 06 | |
| 07 | |
| 08 Seller Credit | |
| 09 | |
| 10 | |
| 11 | |
| 12 | |
| 13 | |
| Adjustments for Items Unpaid by Seller | |
| 14 City/Town Taxes | to |
| 15 County Taxes | to |
| 16 Assessments | to |
| 17 | |
| 18 | |
| 19 | |
| CALCULATION | |
| Total Due to Seller at Closing (M) | \$2,000.00 |
| Total Due from Seller at Closing (N) | -\$0.00 |
| Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller | 0.00 |

CLOSING DISCLOSURE

PAGE 3 OF 5 • LOAN ID # 123456789

Additional Information About This Loan (Page 4)

No changes.

Loan Calculations (Page 5)

(Proposed change) To separate APR calculations for construction and permanent phase.

(Proposed change) Total Interest Percentage (TIP) will have an “e” to indicate it is an estimate.



Consumer Financial
Protection Bureau

ADDENDUM

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. | \$579,680.06 |
| Finance Charge. The dollar amount the loan will cost you. | \$198,130.22 |
| Amount Financed. The loan amount available after paying your upfront finance charge. | \$377,992.18 |
| Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate. | 5.221e% C 2.882% P |
| Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount. | 51.42% e |

Other Disclosures

No changes.

Contact Information

No changes.

Conversion Notice

(Proposed change) The conversion notice is a combination of the ARM Rate Change notice and the Initial Escrow Disclosure. (Proposed change) The Conversion Notice should be sent 60-120 days prior to the loan converting to permanent financing. If the rate was not locked on the closing disclosure this would be the time the lender would commit to the permanent financing rate.

(Proposed change) The notice outlines the date the rate and payment will be changing, and a table will define the construction phase rate and monthly payment as the "Current" payment and the "New" rate and payment will be for the final permanent financing. This gives the borrower ample notice of the change.

Changes to Your Mortgage Interest Rate and Payments on month day, year

| | Current Rate and Monthly Payment | New Rate and Monthly Payment |
|---|---|---|
| Interest Rate | X.XXX% | X.XXX% |
| Total Monthly Principal & Interest Payment | \$XXX.XX | \$X,XXX.XX (due month day, year) |

Optional Initial Escrow Account Disclosure Statement

(Proposed change) The second part of the Conversion Notice is the Initial Escrow Account Disclosure Statement. This outlines the details of an escrow account, but it is optional. The borrower may or may not choose to open an escrow account for taxes and insurance. This disclosure giving them a breakdown of what they would be required to initially deposit and what their monthly payment would be if they choose to escrow.

(Proposed change) There is also a notation that if the taxes are based off the lot only their payment may go up significantly the next year. They can opt for an early short analysis, or they can chose to add additional money to their monthly escrow

ADDENDUM

payment to prevent large shortages in the subsequent year.

If the borrower chooses to escrow, they must sign the document and send their initial deposit.

Optional Escrow (sign and return with Initial Deposit prior to conversion):

Initial Escrow Account Disclosure Statement

Your monthly mortgage payment until your next escrow analysis will consist of the following:

| | |
|-------------------------|-------------------|
| Principal and Interest: | <u>\$X.XXX.XX</u> |
| Escrow: | <u>\$ XX.XX</u> |
| Total Monthly Payment: | <u>\$X.XXX.XX</u> |

The following are anticipated disbursements and deposits from your escrow account during the coming year:

| Month | Deposits to Escrow | Disbursements From Escrow | Description | Escrow Account Balances |
|------------------------|--------------------|---------------------------|------------------|-------------------------|
| <i>Initial Deposit</i> | | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Taxes | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Hazard Insurance | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Taxes | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |

PLEASE KEEP THIS STATEMENT TO COMPARE WITH THE ANNUAL ACTIVITY THAT WILL OCCUR IN YOUR ESCROW ACCOUNT DURING THE UPCOMING YEAR.

Cushion: \$XXX.XX

Itemization of anticipated disbursements from your escrow account:

| | | |
|--------|---------------|----------|
| [date] | [description] | [amount] |
| [date] | [description] | [amount] |
| [date] | [description] | [amount] |

NOTE: The Real Estate Settlement Procedures Act (RESPA) establishes specific guidelines regarding the amount that lenders are permitted to collect for the payment of escrow items during the initial escrow computation year, i.e., the next twelve months. Unless authorized by you to do otherwise, your lender may collect only for disbursement that will occur during the coming year. **If you monthly tax escrow amount has been based on unimproved (or lot) tax amounts or if your taxes were prepaid at closing and the next disbursement is not within the initial 12-month escrow computation year, your initial escrow amount for taxes will be lower than normal or may be zero. This may cause a significant increase in your monthly payment when your escrow is analyzed in the normal twelve-month timeframe.** In order to minimize the amount of this payment increase, you may request an early analysis of your escrow account prior to the scheduled annual analysis or voluntarily add additional funds to your monthly escrow payment.

Voluntary Additional Monthly Escrow _____

Borrower _____ Date _____

Co-Borrower _____ Date _____

Appendix A – Conversion Notice

ADDENDUM

Conversion Notice

[date]

Borrower Name(s)

Address

City, State Zip

Lender Name

Address

City, State Zip

Changes to Your Mortgage Interest Rate and Payments on month day, year

| | Current Rate and Monthly Payment | New Rate and Monthly Payment |
|--|----------------------------------|--|
| Interest Rate | X.XXX% | X.XXX% |
| Total Monthly Principal & Interest Payment | \$XXX.XX | <u>\$X,XXX.XX</u> (due month day, year) |

Optional Escrow (sign and return with Initial Deposit prior to conversion):

Initial Escrow Account Disclosure Statement

Your monthly mortgage payment until your next escrow analysis will consist of the following:

Principal and Interest: \$X,XXX.XX
Escrow: \$ XX.XX
Total Monthly Payment: \$X,XXX.XX

The following are anticipated disbursements and deposits from your escrow account during the coming year:

| Month | Deposits to Escrow | Disbursements From Escrow | Description | Escrow Account Balances |
|------------------------|--------------------|---------------------------|------------------|-------------------------|
| <i>Initial Deposit</i> | | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Taxes | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Hazard Insurance | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | \$XXX.XX | Taxes | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |
| Month | \$XX.XX | | | \$XXX.XX |

PLEASE KEEP THIS STATEMENT TO COMPARE WITH THE ANNUAL ACTIVITY THAT WILL OCCUR IN YOUR ESCROW ACCOUNT DURING THE UPCOMING YEAR.

Cushion: \$XXX.XX

ADDENDUM

Itemization of anticipated disbursements from your escrow account:

| | | |
|--------|---------------|----------|
| [date] | [description] | [amount] |
| [date] | [description] | [amount] |
| [date] | [description] | [amount] |

NOTE: The Real Estate Settlement Procedures Act (RESPA) establishes specific guidelines regarding the amount that lenders are permitted to collect for the payment of escrow items during the initial escrow computation year, *i.e.*, the next twelve months. Unless authorized by you to do otherwise, your lender may collect only for disbursement that will occur during the coming year. **If you monthly tax escrow amount has been based on unimproved (or lot) tax amounts or if your taxes were prepaid at closing and the next disbursement is not within the initial 12-month escrow computation year, your initial escrow amount for taxes will be lower than normal or may be zero. This may cause a significant increase in your monthly payment when your escrow is analyzed in the normal twelve-month timeframe.** In order to minimize the amount of this payment increase, you may request an early analysis of your escrow account prior to the scheduled annual analysis or voluntarily add additional funds to your monthly escrow payment.

Voluntary Additional Monthly Escrow _____

Borrower _____ Date _____

Co-Borrower _____ Date _____