



This guide has been updated to reflect the 2018 TILA-RESPA Rule. However, it has *not* been updated to reflect the 2017 TILA-RESPA Rule.

The 2017 TILA-RESPA rule includes an optional compliance period. During this period, early compliance with the 2017 Rule is allowed, but not required.

TILA-RESPA Integrated Disclosure rule

Small entity compliance guide

Version Log

The Bureau updates this guide on a periodic basis to reflect finalized clarifications to the rule which impacts guide content, as well as administrative updates. Below is a version log noting the history of this document and its updates:

Date	Version	Changes
May 2018	4.1	Updates to incorporate changes and clarifications from the April 26, 2018 amendments to the TILA-RESPA Final Rule, including: ▪ Closing Disclosure or corrected Closing Disclosure timing when resetting tolerances (Sections 9, 11, and 12) ▪ use of a Closing Disclosure or corrected Closing Disclosure to reset tolerances (Sections 8, 9, 10, and 12) Miscellaneous administrative changes
October 2016	4.0	Updates to incorporate guidance from existing webinars to add clarity on topics, including: ▪ record retention requirements for the Closing Disclosure (Section 2.3) ▪ completing the Loan Estimate and Closing Disclosure (Sections 5.3 and 10.4) ▪ formatting the Loan Estimate and Closing Disclosure (Sections 5.6, 5.7, 10.11, 13.3, and 13.4) ▪ delivery requirements for the Loan Estimate and the special information booklet (Sections 6.5 and 15.7) ▪ requirements upon receiving an application (Sections 6.7, 6.9, 6.10, and 6.11) ▪ disclosing and determining good faith for services the borrower may shop (Sections 7.4, 7.6, 8.8) ▪ disclosing seller-paid costs and providing seller disclosures (Sections 10.7, 11.5, 11.6, 11.7) ▪ providing revised Loan Estimates and corrected Closing Disclosures (Sections 12.3 and 12.6) ▪ guidance on construction loans ▪ providing special information booklet (Section 15.1, 15.6, and 15.7) ▪ the absence of a HUD-1 comparison chart in the Closing Disclosure (Section 10.12)

Additional guidance on providing revised Loan Estimates any time before the Closing Disclosure. (Section 8.1)

Revisions to standardize the terminology for “revised Loan Estimates” and “corrected Closing Disclosures.”

Revisions to move existing questions to place them next to other questions on related topics (Sections 6.8 and 8.1) and miscellaneous administrative changes.

July 2015	3.0	Effective date change
June 2015	2.1	Miscellaneous administrative changes
March 2015	2.0	▪ Extends the timing requirement for revised disclosure when consumers lock a rate or extend a rate lock after the Loan Estimate is provided (Section 8.7) ▪ Permits certain language related to construction loans for transactions involving new construction on the Loan Estimate (Section 5.6)
September 2014	1.1	▪ Updates to information on where to find additional resources on the rule (Section 1.3) ▪ Additional clarification on questions relating to the Loan Estimate and the 7 day waiting period (Section 6.1 and 6.2) ▪ Additional clarification on questions relating to Timing for Revisions to Loan Estimate (Section 9)
April 2014	1.0	Original Document

Table of contents

Version Log.....	1
Table of contents.....	3
1. Introduction.....	14
1.1 What is the purpose of this guide?	16
1.2 Who should read this guide?	17
1.3 Where can I find additional resources that will help me understand the TILA-RESPA Rule?.....	17
2. Overview of the TILA-RESPA Rule	19
2.1 What is the TILA-RESPA Rule about?.....	19
2.2 What transactions does the rule cover? (§ 1026.19(e) and (f)).....	19
2.3 What are the record retention requirements for the TILA-RESPA Rule? (§ 1026.25).....	20
2.4 What are the record retention requirements if the creditor transfers or sells the loan? (§ 1026.25)	20
2.5 Is there a requirement on how the records are retained?.....	21
3. Effective Date	22
3.1 When do I have to start following the TILA-RESPA Rule and using the Integrated Disclosures?	22

3.2	Are there any requirements that took effect on October 3, 2015 regardless of when an application was received?	22
3.3	Can a creditor use the new Integrated Disclosures for applications received before October 3, 2015?	23
4.	Coverage.....	24
4.1	What transactions are covered by the TILA-RESPA Rule? (§§ 1024.5; 1026.3; and 1026.19)	24
4.2	What are the disclosure obligations for transactions not covered by the TILA-RESPA Rule, like HELOCs and reverse mortgages?.....	25
4.3	Does a creditor have an option to use the new Integrated Disclosure forms for a transaction not covered by the TILA-RESPA Rule?	25
5.	The Loan Estimate Disclosure.....	27
5.1	What are the general requirements for the Loan Estimate disclosure? (§§ 1026.19(e) and 1026.37)	27
5.2	Does a creditor have to use the Bureau’s Loan Estimate form? (§ 1026.37(o))	28
5.3	How must a creditor complete (<i>i.e.</i> , insert information into) the Loan Estimate form?	28
5.4	What information goes on the Loan Estimate form?.....	29
5.5	Page 1: General information, loan terms, projected payments, and costs at closing	30
5.6	Page 2: Closing cost details	32
5.7	If there are more or fewer charges in a category of costs, can a creditor change the number of lines for that category? (§§ 1026.37(f)(6) and 37(g)(8))	33
5.8	Can the designation “N/A” be used where no value is to be disclosed for a cost? (Comment 37-1).....	34
5.9	Page 3: Additional information about the loan.....	35

6. Delivery of the Loan Estimate37

- 6.1 What are the general timing and delivery requirements for the Loan Estimate disclosure? (§ 1026.19(e)(1)(iii))..... 37
- 6.2 May a consumer waive the seven-business-day waiting period? (§ 1026.19(e)(1)(v)).....38
- 6.3 Can a mortgage broker provide a Loan Estimate on the creditor's behalf? (§ 1026.19(e)(i)(ii))38
- 6.4 When does the creditor have to provide the Loan Estimate to the consumer? (§ 1026.19(e)(1)(iii)(A)) 39
- 6.5 How must the Loan Estimate be delivered? (§ 1026.19(e)(1)(iv))..... 39
- 6.6 What is an “application” that triggers an obligation to provide a Loan Estimate? (§ 1026.2(a)(3))40
- 6.7 What if a creditor receives these six pieces of information, but needs to collect additional information to proceed with an extension of credit? (Comment 2(a)(3)-1)40
- 6.8 Are creditors allowed to require additional verifying information other than the six pieces of information that form an application from consumers before providing a Loan Estimate? (§ 1026.19(e)(2)(iii)) .. 41
- 6.9 May an online application system refuse to accept applications that contain the six elements of an application because other preferred information is not included? (§ 1026.2(a)(3)) 42
- 6.10 If the six pieces of information exist in the creditor's system or its file, does that trigger the requirement to provide a Loan Estimate? (§ 1026.2(a)(3)) 42
- 6.11 Can a creditor review detailed written documentation of income and assets prior to delivering a Loan Estimate? (Comment 2(a)(3)-1)..... 43
- 6.12 What if the consumer withdraws the application or the creditor determines it cannot approve it? (Comment 19(e)(1)(iii)-3) 43
- 6.13 What if the consumer amends the application and the creditor can now proceed? (Comment 19(e)(1)(iii)-3) 44

6.14	What is considered a “business day” under the requirements for provision of the Loan Estimate? (Comment 19(e)(1)(iii)-1; § 1026.2(a)(6)).....	44
6.15	What if the creditor does not have exact information to calculate various costs at the time the Loan Estimate is delivered? (Comments 17(c)(2)(i)-1 and -2)	45
7.	Good faith requirement and tolerances	46
7.1	What is the general accuracy requirement for the Loan Estimate disclosures? (§ 1026.19(e)(3)(iii))	46
7.2	Are there circumstances where creditors are allowed to charge more than disclosed on the Loan Estimate?	47
7.3	What charges may change without regard to a tolerance limitation? (§ 1026.19(e)(3)(iii)).....	47
7.4	When is a consumer permitted to shop for a service? (§ 1026.19(e)(1)(vi)(C))	48
7.5	What charges are subject to a 10% cumulative tolerance? (§ 1026.19(e)(3)(ii))	49
7.6	What happens to the sum of estimated charges if the consumer is permitted to shop and chooses his or her own service provider? (§ 1026.19(e)(3)(iii); Comment 19(e)(3)(ii)-3)	50
7.7	What if the creditor estimates a charge for a service that is not actually performed? (Comment 19(e)(3)(ii)-5)	50
7.8	What if a consumer pays more for a particular charge for a third-party service or recording fee than estimated, but the total charges paid are still within 10% of the estimate? (Comment 19(e)(3)(ii)-2)	51
7.9	What if the creditor does not provide an estimate of a particular charge that is later charged? (Comment 19(e)(3)(ii)-2)	51
7.10	What charges are subject to zero tolerance? (§ 1026.19(e)(3)(i)).....	51
7.11	When is a charge paid to a creditor, mortgage broker, or an affiliate of either?	52

7.12	What must creditors do when the amounts paid exceed the amounts disclosed on the Loan Estimate beyond the applicable tolerance thresholds? (§ 1026.19(f)(2)(v)).....	52
8.	Revisions to Loan Estimates	54
8.1	When are revisions permitted for Loan Estimates?	54
8.2	What is a “changed circumstance”? (§ 1026.19(e)(3)(iv)(A)).....	56
8.3	What are changed circumstances that affect settlement charges?	56
8.4	What if the changed circumstance causes third party charges subject to a cumulative 10% tolerance to increase?	57
8.5	What are changed circumstances that affect eligibility? (§ 1026.19(e)(3)(iv)(B))	57
8.6	May a creditor use a revised Loan Estimate if the consumer requests revisions to the terms or charges? (§ 1026.19(e)(3)(iv)(C))	58
8.7	May the written list of service providers be revised to reflect Loan Estimate revisions?.....	59
8.8	May a creditor use a revised Loan Estimate if the rate is locked after the initial Loan Estimate is provided? (§ 1026.19(e)(3)(iv)(D)).....	60
8.9	May a creditor use a revised Loan Estimate if the initial Loan Estimate expires? (§ 1026.19(e)(3)(iv)(E)).....	60
8.10	Are there any other circumstances where creditors may use revised Loan Estimates to reset tolerances?.....	61
9.	Timing for Revisions to Loan Estimate	62
9.1	What is the general timing requirement for providing a revised Loan Estimate? (§ 1026.19(e)(4)(i)).....	62
9.2	Are there any restrictions on how many days before consummation a revised Loan Estimate may be provided? (§ 1026.19(e)(4)).....	62
9.3	What definition of “business day” applies to redisclosure rules?.....	63
9.4	May a creditor revise a Loan Estimate after a Closing Disclosure already has been provided? (§ 1026.19(e)(4)(ii))	63

10. Closing Disclosures.....65

- 10.1 What are the general requirements for the Closing Disclosure?
(§§ 1026.19(f) and 1026.38) 65
- 10.2 The rule requires creditors to provide the Closing Disclosure three business days before consummation. Is “consummation” the same thing as closing or settlement? (§ 1026.2(a)(13)) 66
- 10.3 Are creditors permitted to use a Closing Disclosure to reset tolerances? (§ 1026.19(e)(4); Comment 19(e)(4)(ii)-1)..... 67
- 10.4 Does a creditor have to use the Bureau’s Closing Disclosure form? (§ 1026.38(t))..... 67
- 10.5 Are creditors required to use any particular method to complete (*i.e.*, insert information into) the Closing Disclosure form?..... 68
- 10.6 What information goes on the Closing Disclosure form? 68
- 10.7 Page 1: General information, loan terms, projected payments, and costs at closing 69
- 10.8 Page 2: Loan costs and other costs 70
- 10.9 Page 3: Calculating cash to close, summaries of transactions, and alternatives for transactions without a seller..... 72
- 10.10 Page 4: Additional information about this loan 74
- 10.11 Page 5: Loan calculations, other disclosures and contact information 75
- 10.12 What should be done if the information required to be disclosed does not fit in the space allotted on the Closing Disclosure form? 76
- 10.13 The HUD-1 has a comparison chart to show the applicable tolerance levels and how the charges compare. Where is the equivalent chart on the Closing Disclosure? 76

11. Delivery of Closing Disclosure78

- 11.1 What are the general timing and delivery requirements for the Closing Disclosure? (§ 1026.19(f)) 78
- 11.2 How must the Closing Disclosure be delivered? (§ 1026.19(f)(1)(iii)) .. 78

11.3	When is the Closing Disclosure considered to be received if it is delivered in person or if it is mailed? (§ 1026.19(f)(1)(iii))	79
11.4	Can a settlement agent provide the Closing Disclosure on the creditor's behalf? (§ 1026.19(f)(1)(v)).....	79
11.5	Who is responsible for providing the Closing Disclosure to a seller in a purchase transaction? (§ 1026.19(f)(4)(i)).....	80
11.6	When a separate disclosure is provided to the seller, is the Settlement Agent required to provide the creditor with a copy of the seller's Closing Disclosure?.....	81
11.7	When a separate disclosure is provided to the seller, what information is required to be disclosed on the seller's Closing Disclosure? (§ 1026.38(t)(5)(v) and (vi)).....	81
11.8	What if there is more than one consumer involved in a transaction? (§ 1026.17(d)).....	82
11.9	When does the creditor have to provide the Closing Disclosure to the consumer? (§ 1026.19(f)(1)(ii))	82
11.10	May a consumer waive the three-business-day waiting period? (§ 1026.19(f)(1)(iv))	83
11.11	Are there timing requirements for providing a Closing Disclosure to reset tolerances? (§ 1026.19(e)(4)).....	84
11.12	Does the three-business-day waiting period apply when corrected Closing Disclosures must be issued to the consumer? (§ 1026.19(f)(2)(i) and (ii))	84
11.13	When must the settlement agent provide the Closing Disclosure to the seller? (§ 1026.19(f)(4)(ii))	85
11.14	Are creditors ever allowed to impose average charges on consumers instead of the actual amount received? (§ 1026.19(f)(3)(i)-(ii)).....	85
12.	Corrections to Closing Disclosures	87
12.1	When are creditors required to correct Closing Disclosures? (§ 1026.19(f)(2))	87

12.2	Are creditors permitted to use a corrected Closing Disclosure to reset tolerances? (§ 1026.19(e)(4); Comment 19(e)(4)(ii)-1)	87
12.3	Are there timing requirements for providing a corrected Closing Disclosure to reset tolerances? (§ 1026.19(e)(4))	88
12.4	What changes before consummation require a new waiting period? (§ 1026.19(f)(2)(ii)).....	88
12.5	Is a new three-day waiting period required if the APR decreases? (§ 1026.19(f)(2)(ii)(A))	89
12.6	What changes do not require a new three-day waiting period? (§ 1026.19(f)(2)(i)).....	89
12.7	What if a consumer asks for the corrected Closing Disclosure before consummation? (§ 1026.19(f)(2)(i))	90
12.8	Are creditors required to provide corrected Closing Disclosures if terms or costs change after consummation? (§ 1026.19(f)(2)(iii)).....	91
12.9	Is a corrected Closing Disclosure required if a post-consummation event affects an amount paid by the seller? (§ 1026.19(f)(4)(ii))	91
12.10	Are clerical errors discovered after consummation subject to the redisclosure obligation? (§ 1026.19(f)(2)(iv); Comment 19(f)(2)(iv)-1).....	92
12.11	Do creditors need to provide corrected Closing Disclosures when they refund money to cure tolerance violations? (§ 1026.19(f)(2)(v))	92
13.	Additional requirements and prohibitions	93
13.1	Are there exceptions to the disclosure requirements for loans secured by a timeshare interest? (§ 1026.19(e)(1)(iii)(C)); (f)(1)(ii)(B))	93
13.2	Are there any limits on fees that may be charged prior to disclosure or application?	94
13.3	Is there a required naming convention used for charges on the Loan Estimate or Closing Disclosure?.....	94
13.4	How does the creditor disclose charges for third-party administrative and processing fees?	95

13.5	How does a consumer indicate an intent to proceed with a transaction? (§ 1026.19(e)(2)(i)(A)).....	95
13.6	What does it mean to impose a fee? (Comment 19(e)(2)(i)(A)-5).....	96
13.7	Can creditors provide estimates of costs and terms to consumers before the Loan Estimate is provided? (§ 1026.19(e)(2)(ii))	97
14.	Construction loans.....	98
14.1	What options are available for disclosing construction loans? (§ 1026.17(c)(6)(ii))	98
14.2	Is the creditor required to disclose the sale price or estimated value for all construction loans? (§ 1026.37(a)(7))	99
14.3	How is the Loan Product disclosed for construction loans? (§ 1026.37(a)(10)).....	99
14.4	What interest rate is disclosed when the creditor does not know the rate that will apply to the permanent phase? (§§ 1026.37(b)(2) and 1026.19(e)(1)(i)).....	101
14.5	What amount does the creditor disclose as the initial payment for the construction phase in the Loan Terms table of the Loan Estimate? (§ 1026.37(b)(3))	102
14.6	How does the creditor disclose a balloon payment in the Loan Terms table (§ 1026.37(b)(7)(ii)) and Projected Payments table (§ 1026.37(c)(1)(ii)(A))?	103
14.7	If the creditor discloses the loan as one transaction, how are the mortgage insurance and estimated escrow disclosed in the Projected Payments table? (§ 1026.37(c)(2))	105
14.8	Does the creditor indicate there will be an escrow account in the Projected Payments table for the construction phase? (§ 1026.37(c)(4))	106
14.9	How does the creditor calculate the estimated taxes, insurance, and assessments in the Projected Payments table? (§ 1026.37(c)(5))	106
14.10	Is the Adjustable Payment (AP) table completed for a construction loan? (§ 1026.37(i))	107

14.11 Does the creditor disclose the Adjustable Interest Rate (AIR) table for construction loans? (§ 1026.37(j))	108
14.12 How is the “In 5 Years” amount calculated when the construction phase is disclosed as a separate transaction and its term is 12 months or less? (Comment 37(l)(1)-1).....	109
14.13 How is the Total Interest Percentage (TIP) calculated? (Comment 37(l)(3)-2)	109
15. Special Information Booklet (Your Home Loan Toolkit: A step-by-step guide)	110
15.1 When must creditors deliver the special information booklet? (§ 1026.19(g)).....	110
15.2 What happens if the consumer withdraws the application or the creditor determines it cannot approve it? (§ 1026.19(g)(1)(i)).....	112
15.3 What if there are multiple applicants?	112
15.4 If the consumer is using a mortgage broker to apply for the loan, can the broker provide the booklet?	112
15.5 Are creditors allowed to change or tailor the booklet to their own preferences and business needs?	112
15.6 Can market participants place their logo on the Toolkit cover?	113
15.7 If a creditor makes the Toolkit available on its website, does that satisfy the rule’s delivery requirement?	113
16. Other disclosures	114
16.1 Does the TILA-RESPA Rule require disclosures besides the Loan Estimate and Closing Disclosure?	114
16.2 When must the Escrow Closing Notice be provided? (§ 1026.20(e))...	114
16.3 What transactions are subject to the Escrow Closing Notice requirement?	114
16.4 What information must be on the Escrow Closing Notice? (§ 1026.20(e)(1)).....	115

16.5	When must the creditor send the Escrow Closing Notice before the escrow account is closed?	117
16.6	What does the rule on disclosing partial payment policies in mortgage transfer notices require? (§ 1026.39(a) and (d))	117
16.7	What information must be included in the partial payment disclosure and what must the disclosure look like? (§ 1026.39(d)(5))	118
17.	Practical implementation and compliance issues.....	119
17.1	Identifying affected products, departments, and staff	119
17.2	Identifying the business-process, operational, and technology changes that will be necessary for compliance	120
17.3	Identifying impacts on key service providers or business partners	120
17.4	Identifying training needs	121
18.	Where can I find a copy of the TILA-RESPA Rule and get more information about it?	122

1. Introduction

For more than 30 years, federal law has required lenders to provide two different disclosure forms to consumers applying for a mortgage. The law also generally has required two different forms at or shortly before closing on the loan. Two different federal agencies developed these forms separately, under two federal statutes: the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act of 1974 (RESPA). The information on these forms was overlapping, and the language inconsistent. Consumers often found the forms confusing, and lenders and settlement agents found the forms burdensome to provide and explain.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directs the Bureau of Consumer Financial Protection (Bureau) to integrate the mortgage loan disclosures under TILA and RESPA Sections 4 and 5. Section 1032(f) of the Dodd-Frank Act mandated that the Bureau propose for public comment rules and model disclosures that integrate the TILA and RESPA disclosures by July 21, 2012. The Bureau satisfied this statutory mandate and issued proposed rules and forms on July 9, 2012. To accomplish this, the Bureau engaged in extensive consumer and industry research, analysis of public comment, and public outreach for more than a year. After issuing the proposal, the Bureau conducted a large-scale quantitative study of its proposed integrated disclosures with approximately 850 consumers, which concluded that the Bureau's integrated disclosures had on average statistically significant better performance than the pre-existing disclosures under TILA and RESPA.

On December 31, 2013, the Bureau published a final rule with new, integrated disclosures – “Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z)” (TILA-RESPA Final Rule). On January 20, 2015 and July 21, 2015, the Bureau issued amendments to the TILA-RESPA Final Rule. Additionally, the Bureau published technical corrections on December 24, 2015, and a correction to supplementary information on February 10, 2016. On April 26, 2018, the Bureau also issued a final rule amending provisions regarding when a creditor may use a Closing

Disclosure to reset tolerances (2018 TILA-RESPA Rule or 2018 amendments). The TILA-RESPA Final Rule, the amendments, and corrections are collectively referred to as the TILA-RESPA Rule in this guide.¹

The TILA-RESPA Rule provides a detailed explanation of how the forms should be filled out and used. The Good Faith Estimate (GFE) and the initial Truth-in-Lending disclosure (initial TIL) have been combined into a single form, the **Loan Estimate**. Similar to those forms, the **Loan Estimate** form is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying, and must be provided to consumers no later than the third **business day** after they submit a loan **application**. Second, the HUD-1 and final Truth-in-Lending disclosure (final TIL and, together with the initial TIL, the Truth-in-Lending forms) have been combined into another form, the **Closing Disclosure**, which is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. This form must be provided to consumers at least three **business days** before **consummation** of the loan.

The forms use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments, and costs to close the loan. The **Loan Estimate** and **Closing Disclosure** forms also provide more information to help consumers decide whether they can afford the loan and to facilitate comparison of the cost of different loan offers, including the cost of the loans over time.

The TILA-RESPA Rule applies to most closed-end consumer mortgages. It **does not apply** to home equity lines of credit (HELOCs), reverse mortgages, or mortgages secured by a mobile

¹ On July 7, 2017, the Bureau issued further amendments intended to formalize guidance, and provide greater clarity and certainty (2017 TILA-RESPA Rule or 2017 amendments). The 2017 amendments were published in the *Federal Register* on August 11, 2017. The 2017 amendments include an optional compliance period, which begins on Oct. 10, 2017 and is for transactions for which a creditor or mortgage broker receives an application prior to Oct. 1, 2018. During this period, early compliance with the 2017 amendments are allowed, but not required. This guide has *not* been updated to reflect the 2017 amendments given the optional compliance period. To understand the TILA-RESPA Rule as it exists with the 2017 amendments, see version 5.2 of the Guide on the Bureau's website at <https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/tila-respa-disclosure-rule/>.

home or by a dwelling that is not attached to real property (*i.e.*, land). It does not apply to loans made by persons who are not considered “creditors” under TILA.

Generally, the TILA-RESPA Rule’s provisions were effective on October 3, 2015. The December 2015 corrections were effective on December 24, 2015, and the February 2016 corrections were effective on February 10, 2016. The 2018 TILA-RESPA Rule, which does not impose any new burdens on creditors, is effective on June 1, 2018.

1.1 What is the purpose of this guide?

The purpose of this guide is to provide an easy-to-use summary of the TILA-RESPA Rule. This guide also highlights issues that small creditors, and those that work with them, might find helpful to consider when implementing the TILA-RESPA Rule.

This guide also meets the requirements of Section 212 of the Small Business Regulatory Enforcement Fairness Act of 1996, which requires the Bureau to issue a small-entity compliance guide to help small entities comply with these new regulations.

You may want to review your processes, software, contracts with service providers, or other aspects of your business operations in order to identify any changes needed to comply with this rule. Changes related to this rule may take careful planning, time, or resources to implement. This guide will help you identify and plan for any necessary changes.

To support rule implementation and ensure that industry is ready for the new consumer protections, the Bureau will coordinate with other agencies, publish plain-language guides, publish updates to the Official Interpretations, if needed, and publish revised examination procedures and readiness guides.

This guide summarizes the TILA-RESPA Rule, but it is not a substitute for the rule. Only the rule and its Official Interpretations (also known as commentary) can provide complete and definitive information regarding its requirements. The discussions below provide citations to the sections of the TILA-RESPA Rule on the subject being discussed. Keep in mind that the Official Interpretations, which provide detailed explanations of many of the TILA-RESPA Rule’s requirements, are found after the text of the rule and its appendices. The interpretations are arranged by rule section and paragraph for ease of use. The complete rule and the Official Interpretations are available at www.consumerfinance.gov/policy-

[compliance/rulemaking/final-rules/2013-integrated-mortgage-disclosure-rule-under-real-estate-settlement-procedures-act-regulation-x-and-truth-lending-act-regulation-z/](#).

The focus of this guide is the TILA-RESPA Rule. This guide does not discuss other federal or state laws that may apply to the origination of closed-end credit.

At the end of this guide, there is more information about the TILA-RESPA Rule and related implementation support from the Bureau.

1.2 Who should read this guide?

If your organization originates closed-end residential mortgage loans, you may find this guide helpful to determine your compliance obligations for the mortgage loans you originate. This guide may also be helpful to settlement service providers, secondary market participants, software providers, and other companies that serve as business partners to creditors.

1.3 Where can I find additional resources that will help me understand the TILA-RESPA Rule?

Resources to help you understand and comply with the Dodd-Frank Act mortgage reforms and our regulations, including downloadable compliance guides, are available through the Bureau's website at www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/. On this website, we also offer the ability to sign up for an email distribution list through which we announce additional resources and tools as they become available. The website also provides a link to our eRegulations tool, which is available at www.consumerfinance.gov/eregulations. The eRegulations tool includes an unofficial version of Regulation Z (12 CFR part 1026), in which the TILA-RESPA Rule is codified. The tool provides updated versions of the regulatory text and commentary in a single location.

If after reviewing these materials you have a specific interpretation question, submit a detailed message, including your name, contact information, details about your regulatory question, and the specific regulation title and section or subject matter of the regulation you are inquiring about, to CFPB_RegInquiries@cfpb.gov. If you do not have access to the internet, you may leave this information in a voicemail at 202-435-7700. Please note that Bureau staff provides

informal responses only to regulatory inquiries and that any response does not constitute an official interpretation or legal advice. Actual response times will vary depending on the number of questions we are handling and the amount of research needed to respond to your question.

Email comments about the guide to CFPB_RegulatoryImplementation@consumerfinance.gov. Your feedback is crucial to making this guide as helpful as possible. The Bureau welcomes your suggestions for improvements and your thoughts on its usefulness and readability.

The Bureau is particularly interested in feedback relating to:

- How useful you found this guide for understanding the TILA-RESPA Rule;
- How useful you found this guide for implementing the TILA-RESPA Rule at your business; or
- Suggestions you have for improving the guide, such as additional implementation tips.

2. Overview of the TILA-RESPA Rule

2.1 What is the TILA-RESPA Rule about?

The TILA-RESPA Rule consolidates four disclosure forms required under TILA and RESPA for closed-end credit transactions secured by real property into two forms: a **Loan Estimate** that must be delivered or placed in the mail no later than the third **business day** after receiving the consumer's **application**, and a **Closing Disclosure** that must be provided to the consumer at least three **business days** prior to **consummation**.

2.2 What transactions does the rule cover? (§ 1026.19(e) and (f))

The TILA-RESPA Rule applies to most closed-end consumer credit transactions secured by real property. Credit extended to certain trusts for tax or estate planning purposes is **not exempt** from the TILA-RESPA Rule. (Comment 3(a)-10). However, some specific categories of loans are excluded from the rule. Specifically, the TILA-RESPA Rule **does not apply to** HELOCs, reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (*i.e.*, land). (§ 1026.19(e) and (f)). For further discussion of coverage, see section 4 below.

2.3 What are the record retention requirements for the TILA-RESPA Rule? (§ 1026.25)

The creditor must retain copies of the **Closing Disclosure** (and all documents related to the **Closing Disclosure**) for **five years** after **consummation**.

The creditor, or servicer if applicable, must retain the **Post-Consummation Escrow Cancellation Notice (Escrow Closing Notice)** and the **Post-Consummation Partial Payment Policy** disclosure for **two years**. For additional information, see section 15 below.

For all other evidence of compliance with the Integrated Disclosure provisions of Regulation Z (including the **Loan Estimate**) creditors must maintain records for **three years** after **consummation** of the transaction.

Creditors are obligated to obtain and retain a copy of the completed **Closing Disclosures** provided separately by a non-creditor settlement agent to a seller under 1026.38(t)(5), but are not obligated to collect underlying seller-specific documents and records from that third-party settlement agent to support these disclosures. To the extent the creditor does receive documentation related to the seller's disclosure, such as when the creditor is the settlement agent, or when seller-related documents are provided to the creditor by a third-party settlement agent along with the completed disclosure, the creditor should adhere to the record retention requirements that apply to the **Closing Disclosure**.

2.4 What are the record retention requirements if the creditor transfers or sells the loan? (§ 1026.25)

If a creditor sells, transfers, or otherwise disposes of its interest in a mortgage and does not service the mortgage, the creditor shall provide a copy of the **Closing Disclosure** to the new owner or servicer of the mortgage as a part of the transfer of the loan file.

Both the creditor and the new owner or servicer shall retain the **Closing Disclosure** for the **remainder of the five-year period**.

2.5 Is there a requirement on how the records are retained?

Regulations X and Z permit, but do not require, electronic recordkeeping. Records can be maintained by any method that reproduces disclosures and other records accurately, including computer programs. (Comment 25(a)-2)

3. Effective Date

3.1 When do I have to start following the TILA-RESPA Rule and using the Integrated Disclosures?

The Integrated Disclosures (*i.e.*, the **Loan Estimate** and the **Closing Disclosure**) must be provided by a creditor or mortgage broker that receives an **application** from a consumer for a closed-end credit transaction secured by real property on or after October 3, 2015.

Creditors were required to use the GFE, HUD-1, and Truth-in-Lending forms for **applications** received prior to October 3, 2015.

3.2 Are there any requirements that took effect on October 3, 2015 regardless of when an application was received?

Yes. As discussed in section 13, below, the TILA-RESPA Rule includes some restrictions on certain activity prior to a consumer's receipt of the **Loan Estimate**. These restrictions took effect on the calendar date October 3, 2015, regardless of when an **application** was received. These activities include:

- Imposing fees on a consumer before the consumer has received the **Loan Estimate** and indicated an **intent to proceed** with the transaction (§ 1026.19(e)(2)(i));
- Providing written estimates of terms or costs specific to consumers before they receive the **Loan Estimate** without a written statement informing the consumer that the terms and costs may change (§ 1026.19(e)(2)(ii)); and
- Requiring the submission of documents verifying information related to the consumer's **application** before providing the **Loan Estimate**. (§ 1026.19(e)(2)(iii))

💬 A consumer may indicate an **intent to proceed** in any manner the consumer chooses, unless the creditor requires a particular manner of communication. (§ 1026.19(e)(2)(i)(A)). For further discussion on **intent to proceed**, see section 13.5 below.

3.3 Can a creditor use the new Integrated Disclosures for applications received before October 3, 2015?

No. For transactions where the **application** is received prior to October 3, 2015, creditors will still need to follow the current disclosure requirements under Regulations X and Z, and use the existing forms (Truth-in-Lending disclosures, GFE, HUD-1).

4. Coverage

4.1 What transactions are covered by the TILA-RESPA Rule? (§§ 1024.5; 1026.3; and 1026.19)

The TILA-RESPA Rule applies to most closed-end consumer credit transactions secured by real property, but **does not apply to:**

- HELOCs;
- Reverse mortgages; or
- Chattel-dwelling loans, such as loans secured by a mobile home or by a dwelling that is not attached to real property (*i.e.*, land).

Consistent with existing rules under TILA, the TILA-RESPA Rule also does not apply to loans made by a person or entity that is not considered a **creditor under Regulation Z**. (§ 1026.2(a)(17))

There is also a partial exemption for certain transactions associated with housing assistance loan programs for low- and moderate-income consumers. (§ 1026.3(h))

However, certain types of loans that are subject to TILA but are not subject to RESPA **are subject** to the TILA-RESPA Rule's integrated disclosure requirements, including:

- Construction-only loans; and
- Loans secured by vacant land or by 25 or more acres.

Credit extended to certain trusts for tax or estate planning purposes also are covered by the TILA-RESPA Rule. (Comment 3(a)-10)

4.2 What are the disclosure obligations for transactions not covered by the TILA-RESPA Rule, like HELOCs and reverse mortgages?

The Integrated Disclosures will not be used to disclose information about reverse mortgages, HELOCs, chattel-dwelling loans, or other transactions not covered by the TILA-RESPA Rule. Creditors originating these types of mortgages must use, as applicable, the GFE, HUD-1, and Truth-in-Lending disclosures.

For these transactions associated with the partial exemption for housing assistance loan programs for low- and moderate-income consumers (§ 1026.3(h)):

- Creditors are exempt from the requirement to provide the RESPA settlement cost booklet, GFE, settlement statement, and application servicing disclosure statement. (See §§ 1024.6, 1024.7, 1024.8, 1024.10, and 1024.33)
- Creditors are exempt from the requirements to provide a **Loan Estimate**, **Closing Disclosure**, and Special Information Booklet for these loans. (§ 1026.3(h))

4.3 Does a creditor have an option to use the new Integrated Disclosure forms for a transaction not covered by the TILA-RESPA Rule?

Creditors are not prohibited from using the Integrated Disclosure forms on loans that are not covered by the TILA-RESPA Rule. (*e.g.*, mortgages associated with housing assistance loan programs for low- and moderate-income consumers). (See §§ 1026.3(h) and 1024.5(d)(2)). However, a creditor cannot use the Integrated Disclosure forms instead of the GFE, HUD-1, and

Truth-in-Lending forms for transactions that are covered by TILA or RESPA that require those disclosures (*e.g.*, reverse mortgages).

5. The Loan Estimate Disclosure

5.1 What are the general requirements for the Loan Estimate disclosure? (§§ 1026.19(e) and 1026.37)

For closed-end credit transactions secured by real property (other than reverse mortgages), the creditor is required to provide the consumer with good-faith estimates of credit costs and transaction terms on a form called the **Loan Estimate**. This form integrates and replaces the GFE and the initial TIL for these transactions. The creditor is generally required to provide the **Loan Estimate** to the consumer within **three business days** of the receipt of the consumer's loan **application**. (See section 6.1 below on the timing requirements of the **Loan Estimate**). (§ 1026.19(e)(1))

- **Loan Estimate must contain a good faith estimate of credit costs and transaction terms.** If any information necessary for an accurate disclosure is unknown, the creditor must make the disclosure based on the best information reasonably available at the time the disclosure is provided to the consumer, and use due diligence in obtaining the information. (§ 1026.19(e)(1)(i); Comment 19(e)(1)(i)-1)
- **Loan Estimate must be in writing and contain the information prescribed in § 1026.37.** The creditor must disclose only the specific information set forth in § 1026.37(a) through (n), as shown in the Bureau's form in appendix H-24. (§ 1026.37(o))

- **Delivery must satisfy the timing and method of delivery requirements.** The creditor is responsible for delivering the **Loan Estimate** or placing it in the mail no later than the third business day after receiving the **application**. (§ 1026.19(e)(1)(iii))
- **In certain situations, mortgage brokers may provide a Loan Estimate.** As discussed in more detail in section 6.3 below, if a mortgage broker receives a consumer's **application**, either the creditor or the mortgage broker may provide the **Loan Estimate**. (§ 1026.19(e)(1)(ii))

5.2 Does a creditor have to use the Bureau's Loan Estimate form? (§ 1026.37(o))

Generally, yes. For any loans subject to the TILA-RESPA Rule that are **federally related mortgage loans** subject to RESPA (which will include most mortgages), form H-24 is a **standard form**, meaning creditors **must** use form H-24, including all of its elements such as various font sizes, bolding, shading, and underscoring. (§ 1026.37(o)(3)(i)). (See also § 1024.2(b) for definition of **federally related mortgage loan**).

For other loans subject to the TILA-RESPA Rule that are **not federally related mortgage loans**, form H-24 is a **model form**, meaning creditors are not strictly required to use form H-24, but the disclosures must contain the exact same information and be made with headings, content, and format substantially similar to form H-24. (§ 1026.37(o)(3)(ii))

5.3 How must a creditor complete (*i.e.*, insert information into) the Loan Estimate form?

Creditors are not required to use any particular method to complete the **Loan Estimate**. It may be completed by hand, computer, typewriter or word processor. The TILA-RESPA Rule only requires that:

- The information must be clear and legible; and

- The information must comply with the required formatting, including replicating bold font where required. (Comment 37(o)(5)-2)

5.4 What information goes on the Loan Estimate form?

The following is a brief, page-by-page overview of the **Loan Estimate**, generally describing the information creditors are required to disclose. For detailed instructions on the individual fields and calculations for the **Loan Estimate**, see the Bureau's companion guide, **TILA-RESPA Guide to Forms**.

5.5 Page 1: General information, loan terms, projected payments, and costs at closing

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY
SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE ☐ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID #
RATE LOCK ☐ NO ☐ YES, until _____
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on _____

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

Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow Amount can increase over time	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments Amount can increase over time	This estimate includes ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: _____ See Section G on page 2 for escrowed property costs. You must pay for other property costs separately. In escrow?

Costs at Closing	
Estimated Closing Costs	Includes _____ in Loan Costs + _____ in Other Costs – _____ in Lender Credits. See page 2 for details.
Estimated Cash to Close	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

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

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # _____

Page 1 of the **Loan Estimate** includes general information, a **Loan Terms** table with descriptions of applicable information about the loan, a **Projected Payments** table, a **Costs at Closing** table, and a link for consumers to obtain more information about loans secured by real property at a website the Bureau maintains. (§§ 1026.37(a), (b), (c), (d), and (e))

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

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

5.6 Page 2: Closing cost details

Closing Cost Details	
Loan Costs A. Origination Charges % of Loan Amount (Points)	
Other Costs E. Taxes and Other Government Fees Recording Fees and Other Taxes Transfer Taxes	
F. Prepaids Homeowner's Insurance Premium (months) Mortgage Insurance Premium (months) Prepaid Interest (per day for days @) Property Taxes (months)	
G. Initial Escrow Payment at Closing Homeowner's Insurance per month for mo. Mortgage Insurance per month for mo. Property Taxes per month for mo.	
H. Other	
I. TOTAL OTHER COSTS (E + F + G + H)	
J. TOTAL CLOSING COSTS D + I Lender Credits	
Calculating Cash to Close Total Closing Costs (J) Closing Costs Financed (Paid from your Loan Amount) Down Payment/Funds from Borrower Deposit Funds for Borrower Seller Credits Adjustments and Other Credits	
Estimated Cash to Close	
D. TOTAL LOAN COSTS (A + B + C)	
Adjustable Payment (AP) Table Interest Only Payments? Optional Payments? Step Payments? Seasonal Payments? Monthly Principal and Interest Payments First Change/Amount Subsequent Changes Maximum Payment	
Adjustable Interest Rate (AIR) Table Index + Margin Initial Interest Rate Minimum/Maximum Interest Rate Change Frequency First Change Subsequent Changes Limits on Interest Rate Changes First Change Subsequent Changes	
LOAN ESTIMATE PAGE 2 OF 3 • LOAN ID #	

Four main categories of charges are disclosed on page 2 of the **Loan Estimate**:

- A good-faith itemization of the **Loan Costs** and **Other Costs** associated with the loan. (§ 1026.37(f) and (g))
- A **Calculating Cash to Close** table to show the consumer how the amount of cash needed at closing is calculated. (§ 1026.37(h))

- For transactions with adjustable monthly payments, an **Adjustable Payment (AP) Table** with relevant information about how the monthly payments will change. (§ 1026.37(i))
- For transactions with adjustable interest rates, an **Adjustable Interest Rate (AIR) Table** with relevant information about how the interest rate will change. (§ 1026.37(j))

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

These two tables are further broken down, as discussed below.

Items that are a component of title insurance must include the introductory description of **Title** followed by a dash or hyphen and then a description of the specific title insurance component (*e.g.* “Title – Lender’s Title”). (§ 1026.37(f)(2)(i) and (g)(4)(i))

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

5.7 If there are more or fewer charges in a category of costs, can a creditor change the number of lines for that category? (§§ 1026.37(f)(6) and 37(g)(8))

No. A creditor cannot change the number of lines for costs on the **Loan Estimate**. The **Loan Estimate** has a prescribed number of lines for each category of **Loan Costs** and **Other Costs**. In the event that more lines are needed for a particular category, generally the charges in excess of that number are totaled, disclosed as an aggregate amount, and described as “additional charges.” (§§ 1026.37(f)(6) and (g)(8))

However, services disclosed as “additional charges” in the “consumer can shop for” section can be itemized on an addendum. (§ 1026.37(f)(6)(ii))

5.8 Can the designation “N/A” be used where no value is to be disclosed for a cost? (Comment 37-1)

No. The designation “N/A” cannot be used where no value is to be disclosed. The term “N/A” may not be used on the **Loan Estimate**. In general, when a disclosure is not applicable, that disclosure is either omitted from the **Loan Estimate** or left blank on the **Loan Estimate**.

5.9 Page 3: Additional information about the loan

Page 3 of the **Loan Estimate** contains **Contact Information**, a **Comparisons** table, an **Other Considerations** table, and, if desired, a **Signature Statement** for the consumer to sign to acknowledge receipt. (See § 1026.37(k), (l), (m), and (n))

Additional Information About This Loan	
LENDER NMLS/____ LICENSE ID LOAN OFFICER NMLS/____ LICENSE ID EMAIL PHONE	MORTGAGE BROKER NMLS/____ LICENSE ID LOAN OFFICER NMLS/____ LICENSE ID EMAIL PHONE
Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.
Other Considerations	
Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we ☐ will allow, under certain conditions, this person to assume this loan on the original terms. ☐ will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than ____ days late, we will charge a late fee of _____
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend ☐ to service your loan. If so, you will make your payments to us. ☐ to transfer servicing of your loan.
Confirm Receipt	
By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.	
Applicant Signature	Date
Co-Applicant Signature	Date
LOAN ESTIMATE	PAGE 3 OF 3 • LOAN ID #

In transactions involving new construction, this page may include a clear and conspicuous statement that the creditor may issue a revised disclosure any time prior to 60 days before **consummation**, pursuant to § 1026.19(e)(3)(iv)(F), if the creditor reasonably expects that settlement will occur more than 60 days after the provision of the initial **Loan Estimate**. (See section 14 for more information about construction loans)

6. Delivery of the Loan Estimate

6.1 What are the general timing and delivery requirements for the Loan Estimate disclosure? (§ 1026.19(e)(1)(iii))

Generally, the creditor is responsible for ensuring that it delivers or places in the mail the **Loan Estimate** form no later than the third **business day** after receiving the consumer's **application** (although see section 6.3 below regarding delivery of the **Loan Estimate** by a mortgage broker).

The **Loan Estimate** must also be delivered or placed in the mail no later than the seventh **business day** before **consummation** of the transaction. (See § 1026.19(e)(1)(iii)(B)). The 7-day waiting period is a TILA statutory waiting period that applies to the initial **Loan Estimate** provided after **application**, but does not apply to revised Loan Estimates. (See § 1026.19(e)(1)(iii)(B); Comment 19(e)(1)(iii)-2; and 1026.19(e)(4)(ii))

The creditor also is responsible for ensuring that the **Loan Estimate** and its delivery meet the content, delivery, and timing requirements discussed in sections 5, 6, 7, 8, and 9 of this guide. (See §§ 1026.19(e) and 1026.37)

6.2 May a consumer waive the seven-business-day waiting period? (§ 1026.19(e)(1)(v))

The consumer may modify or waive the **seven-business-day waiting period** after receiving the **Loan Estimate** if the consumer has a **bona-fide personal financial emergency** that necessitates consummating the credit transaction before the end of the waiting period.

Whether a consumer has a **bona fide personal financial emergency** is determined by the facts surrounding the consumer's individual situation. (See § 1026.19(e)(1)(v); Comment 19(e)(1)(v)-1). An example of a **bona fide personal financial emergency** is the imminent sale of the consumer's home at foreclosure, where the foreclosure sale will proceed unless loan proceeds are made available to the consumer during the waiting period.

To modify or waive the waiting period, the consumer must give the creditor a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and is signed by all consumers primarily liable on the legal obligation. (§ 1026.19(e)(1)(v)). The creditor may not provide the consumer with a pre-printed waiver form. (§ 1026.19(e)(1)(v))

6.3 Can a mortgage broker provide a Loan Estimate on the creditor's behalf? (§ 1026.19(e)(i)(ii))

Yes. If a mortgage broker receives a consumer's **application**, the mortgage broker may provide the **Loan Estimate** to the consumer on the creditor's behalf. (§ 1026.19(e)(1)(ii))

The provision of a **Loan Estimate** by a mortgage broker satisfies the creditor's obligation to provide a **Loan Estimate**. However, any such creditor is expected to maintain communication with mortgage brokers to ensure that the **Loan Estimate** and its delivery satisfy the requirements described above, and the creditor is legally responsible for any errors or defects. (§ 1026.19(e)(1)(ii); Comment 19(e)(1)(ii) -1 and -2)

If a mortgage broker provides the **Loan Estimate** to a consumer, the mortgage broker must comply with the three year record retention requirement discussed in section 2.3 above. (§ 1026.19(e)(1)(ii)(B); Comment 19(e)(1)(ii)-1)

6.4 When does the creditor have to provide the Loan Estimate to the consumer? (§ 1026.19(e)(1)(iii)(A))

The **Loan Estimate** must be delivered or placed in the mail to the consumer no later than the third **business day** after the creditor receives the consumer's **application** for a mortgage loan. (§ 1026.19(e)(1)(iii)(A)). (See definitions of **application** and **business day** below at sections 6.6 and 6.14). If the **Loan Estimate** is not provided to the consumer in person, the consumer is considered to have received the **Loan Estimate** three **business days** after it is delivered or placed in the mail. (§ 1026.19(e)(1)(iv))

6.5 How must the Loan Estimate be delivered? (§ 1026.19(e)(1)(iv))

The **Loan Estimate** may be:

- Provided to the consumer in person;
- Mailed to the consumer (Comment 19(e)(1)(iv)-1); or
- Provided by other delivery methods, including electronic delivery. Creditors and mortgage brokers may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 *et seq.*). (Comment 19(e)(1)(iv)-2)

6.6 What is an “application” that triggers an obligation to provide a Loan Estimate? (§ 1026.2(a)(3))

An **application** means the submission of a consumer’s financial information for purposes of obtaining an extension of credit. For transactions subject to § 1026.19(e), (f), or (g), an **application** consists of the submission of the following six pieces of information:

- The consumer’s name;
- The consumer’s income;
- The consumer’s social security number to obtain a credit report;
- The property address;
- An estimate of the value of the property; and
- The mortgage loan amount sought.

An **application** may be submitted in written or electronic format, and includes a written record of an oral application. (Comment 2(a)(3)-1)

- 💬 This new definition of **application** is similar to the current definition under Regulation X (§ 1024.2(b)). The Bureau has revised the definition of **application** to remove the seventh “catch-all” element of the current definition under Regulation X, that is, “any other information deemed necessary by the loan originator.”
- 💬 The six pieces of information must be submitted for purposes of obtaining an extension of credit. The information is not deemed submitted for this purpose simply because it exists in a creditor’s files or on a creditor’s computer system.

6.7 What if a creditor receives these six pieces of information, but needs to collect additional information to proceed with an extension of credit? (Comment 2(a)(3)-1)

This definition of **application** does not prevent a creditor from collecting whatever additional information it deems necessary in connection with the request for the extension of credit, and

creditors have a degree of flexibility that enables them to collect additional information for purposes of producing the **Loan Estimate**. (See section 6.8 for more information about collecting additional information prior to providing a **Loan Estimate**). However, once a creditor has received the six pieces of information discussed above, it has an **application** for purposes of the requirement for delivery of the **Loan Estimate** to the consumer, including the **three-business-day** timing requirement. (Comment 2(a)(3) -1)

The obligation to provide the **Loan Estimate** is not triggered until the consumer submits the six pieces of information that constitute an application under the TILA-RESPA Rule. Creditors may collect additional information, such as loan term or product, prior to producing the **Loan Estimate**, provided the consumer has not submitted all six pieces of information.

6.8 Are creditors allowed to require additional verifying information other than the six pieces of information that form an application from consumers before providing a Loan Estimate? (§ 1026.19(e)(2)(iii))

No. A creditor or other person may not condition providing the **Loan Estimate** on a consumer submitting documents verifying information related to the consumer's mortgage loan **application** before providing the **Loan Estimate**. (§ 1026.19(e)(2)(iii); Comment 19(e)(2)(iii)-1)

For example:

- A creditor may ask for the sale price and address of the property, but may not require the consumer to provide a purchase and sale agreement to support the information the consumer provides orally before the creditor provides the **Loan Estimate**.
- A mortgage broker may ask for the names, account numbers, and balances of the consumer's checking and savings accounts, but the mortgage broker may not require the consumer to provide bank statements or similar documentation to support the

information orally provided by the consumer before the creditor provides the **Loan Estimate**.

6.9 May an online application system refuse to accept applications that contain the six elements of an application because other preferred information is not included? (§ 1026.2(a)(3))

No. An online application system designed to reject or refuse to accept **applications** on the basis that they lack other information that a creditor normally would prefer to have beyond the six elements does not comply with the TILA-RESPA Rule.

6.10 If the six pieces of information exist in the creditor's system or its file, does that trigger the requirement to provide a Loan Estimate? (§ 1026.2(a)(3))

No. The obligation to provide the **Loan Estimate** is only triggered upon **submission** of the six pieces of information for purposes of obtaining credit, and the information is not deemed submitted simply because it exists on a creditor's system or in its file.

For example, if the consumer starts filling out an **application** online, completes and saves the six pieces of information required, but does not submit the **application**, the obligation to provide a **Loan Estimate** is not triggered.

6.11 Can a creditor review detailed written documentation of income and assets prior to delivering a Loan Estimate? (Comment 2(a)(3)-1)

Yes. A creditor or other person can request, collect, and review documentation or additional information **voluntarily** provided by the consumer prior to providing a **Loan Estimate**. However, the TILA-RESPA Rule prohibits a creditor from requiring a consumer to submit documents verifying information related to the consumer's **application**, such as income and asset information, before providing a **Loan Estimate**. Additionally, the creditor cannot explicitly or implicitly represent to the consumer that it will not provide a **Loan Estimate** without the consumer first providing verifying documentation. (See § 1026.19(e)(2)(iii); Comment 19(e)(2)(iii)-1)

If a consumer requests a pre-approval or pre-qualification and provides five of the six pieces of information that constitute an **application**, the creditor is not yet obligated to provide a **Loan Estimate**. (Comment 2(a)(3)-1.i). So long as the consumer does not provide that sixth element, for example, the property address, the creditor is not required to provide a **Loan Estimate** and may simply provide a pre-approval or pre-qualification in compliance with its current practice and other applicable law. However, if the consumer provides all six elements of the **application**, the TILA-RESPA Rule requires the creditor to provide a **Loan Estimate**. (Comment 2(a)(3)-1.ii). The fact that a consumer requests a pre-approval or pre-qualification will not change the creditor's obligation to provide a **Loan Estimate**.

6.12 What if the consumer withdraws the application or the creditor determines it cannot approve it? (Comment 19(e)(1)(iii)-3)

If the creditor determines within the **three-business-day** period that the consumer's **application** will not or cannot be approved on the terms requested by the consumer, or if the consumer withdraws the **application** within that period, the creditor does not have to provide

the **Loan Estimate**. (Comment 19(e)(1)(iii)-3). However, if the creditor does not provide the **Loan Estimate**, it will not have complied with the **Loan Estimate** requirements under the TILA-REPSA rule if it later consummates the transaction on the terms originally applied for by the consumer. (Comment 19(e)(1)(iii)-3)

6.13 What if the consumer amends the application and the creditor can now proceed? (Comment 19(e)(1)(iii)-3)

If a consumer amends an **application** and a creditor determines the amended **application** may proceed, then the creditor is required to comply with the **Loan Estimate** requirements, including delivering or mailing a **Loan Estimate** within three **business days** of receiving the amended or resubmitted **application**. (Comment 19(e)(1)(iii)-3)

6.14 What is considered a “business day” under the requirements for provision of the Loan Estimate? (Comment 19(e)(1)(iii)-1; § 1026.2(a)(6))

For purposes of providing the **Loan Estimate**, a **business day** is a day on which the creditor’s offices are open to the public for carrying out substantially all of its business functions. (Comment 19(e)(1)(iii)-1, § 1026.2(a)(6))

Note that the term **business day** is defined differently for other purposes; including counting days to ensure the consumer receives the **Closing Disclosure** on time. (See §§ 1026.2(a)(6), 1026.19(f)(1)(ii)(A) and (f)(1)(iii)). For these other purposes, **business day** means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year’s Day, the Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day. (See § 1026.2(a)(6); Comment 2(a)(6)-2; Comment 19(f)(1)(ii)-1)

6.15 What if the creditor does not have exact information to calculate various costs at the time the Loan Estimate is delivered? (Comments 17(c)(2)(i)-1 and -2)

Creditors are required to act in **good faith** and exercise **due diligence** in obtaining information necessary to complete the **Loan Estimate**. (Comment 17(c)(2)(i)-1). Normally creditors may rely on the representations of other parties in obtaining information. (§ 1026.17(c)(2)(i))

However, there may be some information that is unknown (*i.e.*, not reasonably available to the creditor at the time the **Loan Estimate** is made). In these instances, the creditor may use estimates even though it knows that more precise information will be available by the point of **consummation**. However, new disclosures may be required under § 1026.17(c) or § 1026.19. (Comment 17(c)(2)(i)-1)

When estimated figures are used, they must be designated as such on the **Loan Estimate**. (Comment 17(c)(2)(i)-2)

7. Good faith requirement and tolerances

7.1 What is the general accuracy requirement for the Loan Estimate disclosures? (§ 1026.19(e)(3)(iii))

Creditors are responsible for ensuring that the figures stated in the **Loan Estimate** are made in **good faith** and consistent with the best information reasonably available to the creditor at the time they are disclosed. (§§ 1026.17(c)(2)(i); 1026.19(e)(3); and Comments 19(e)(3)(iii)-1 through -3)

Whether or not a disclosure included in the **Loan Estimate** was made in **good faith** is determined by calculating the difference between the estimated charge or charges originally provided in the **Loan Estimate** and the actual charge or charges paid by or imposed on the consumer in the **Closing Disclosure**. (§ 1026.19(e)(3)(i) and (ii))

Generally, if the charge paid by or imposed on the consumer **exceeds** the amount originally disclosed on the **Loan Estimate** it is **not in good faith**, regardless of whether the creditor later discovers a technical error, miscalculation, or underestimation of a charge. A disclosure on the **Loan Estimate** is considered to be in **good faith** if the creditor charges the consumer **less** than the amount disclosed on the **Loan Estimate**, without regard to any tolerance limitations.

7.2 Are there circumstances where creditors are allowed to charge more than disclosed on the Loan Estimate?

Yes. A creditor may charge the consumer more than the amount disclosed in the **Loan Estimate** in specific circumstances, described below:

- Certain variations between the amount disclosed and the amount charged are expressly permitted by the TILA-RESPA Rule (See section 7.3 below for additional information on which variations are possible) (§ 1026.19(e)(3)(iii));
- The amount charged falls within explicit **tolerance** thresholds (and the estimate is not for a **zero tolerance** charge where variations are never permitted) (§ 1026.19(e)(3)(ii)) (See sections 7.5 and 7.10 below); or
- **Changed circumstances** or another triggering event under § 1026.19(e)(3)(iv) permits the charge to be changed and a revised **Loan Estimate**, a **Closing Disclosure**, or a correct **Closing Disclosure** is provided to the consumer in accordance with the TILA-RESPA Rule. (§ 1026.19(e)(3)(iv)) (See section 8.2 below)

7.3 What charges may change without regard to a tolerance limitation? (§ 1026.19(e)(3)(iii))

For certain costs or terms, creditors are permitted to charge consumers more than the amount disclosed on the **Loan Estimate** without any **tolerance** limitation.

These charges are:

- Prepaid interest; property insurance premiums; amounts placed into an escrow, impound, reserve or similar account. (§ 1026.19(e)(3)(iii)(A)-(C))
- For services required by the creditor if the creditor **permits the consumer to shop** and the consumer selects a third-party service provider not on the creditor's **written list of service providers**. (§ 1026.19(e)(3)(iii)(D))

- Charges paid to third-party service providers for services not required by the creditor (may be paid to affiliates of the creditor). (§ 1026.19(e)(3)(iii)(E))

However, creditors may only charge consumers more than the amount disclosed when the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to the creditor at the time the disclosure was provided. (§ 1026.19(e)(3)(iii))

7.4 When is a consumer permitted to shop for a service? (§ 1026.19(e)(1)(vi)(C))

In addition to the **Loan Estimate**, if the consumer is permitted to shop for a settlement service, the creditor must provide the consumer with a **written list of services** for which the consumer can **shop**. This **written list of providers** is separate from the **Loan Estimate**, but must be provided within the same time frame—that is, it must be provided to the consumer no later than three **business days** after the creditor receives the consumer’s **application**—and the list must:

- Identify at least one available settlement service provider for each service; and
 - State that the consumer may choose a different provider of that service.
- (§ 1026.19(e)(3)(ii)(C) and (e)(1)(vi)(C))

The settlement service providers identified on the **written list** must correspond to the settlement services for which the consumer can **shop** as disclosed on the **Loan Estimate**. (Comment 19(e)(1)(vi)-3). See form H-27(A) of appendix H to Regulation Z for a model list. A creditor is permitted to add language to the **written list** indicating that the inclusion of a service provider on the **written list** is not an endorsement. (Comment 19(e)(1)(vi)-6). However, there is no specific language required to be provided when the creditor wishes to do so. The general requirement that the creditor must provide the information clearly and conspicuously on the disclosures under § 1026.17(a) would apply to any language the creditor adds to the **written list**.

The creditor may also identify on the **written list of providers** those services for which the consumer is **not permitted to shop**, as long as those services are clearly and conspicuously distinguished from those services for which the consumer is **permitted to shop**. (Comment

19(e)(1)(vi)-6). See form H-27(C) of appendix H to Regulation Z for a sample of the inclusion of this information.

7.5 What charges are subject to a 10% cumulative tolerance? (§ 1026.19(e)(3)(ii))

Charges for third-party services and recording fees paid by or imposed on the consumer are grouped together and subject to a **10% cumulative tolerance**. This means the creditor may charge the consumer more than the amount disclosed on the **Loan Estimate** for any of these charges so long as the total sum of the charges added together does not exceed the sum of all such charges disclosed on the **Loan Estimate** by more than 10%. (§ 1026.19(e)(3)(ii))

These charges are:

- Recording fees (Comment 19(e)(3)(ii)-4);
- Charges for third-party services where:
 - The charge is not paid to the creditor or the creditor's affiliate (§ 1026.19(e)(3)(ii)(B)); and
 - The consumer is permitted by the creditor to **shop** for the third-party service, and the consumer selects a third-party service provider on the creditor's **written list of service providers**. (§ 1026.19(e)(3)(ii)(C); § 1026.19(e)(1)(vi); Comments 19(e)(3)(ii)-3, and 19(e)(1)(vi)-1 through 7)).

Remember, when a creditor allows a consumer to **shop** for a third-party service and the consumer chooses a service provider not identified on the creditor's list, the charge is not subject to a **tolerance** limitation (See section 7.4 above).

7.6 What happens to the sum of estimated charges if the consumer is permitted to shop and chooses his or her own service provider? (§ 1026.19(e)(3)(iii); Comment 19(e)(3)(ii)-3)

Where a consumer chooses a provider that is not on the creditor's **written list of providers**, then the creditor is not limited in the amount that may be charged for the service.

(§ 1026.19(e)(3)(iii)) (See section 7.3 above, describing charges subject to no **tolerance** limitation). When this occurs for a service that otherwise would be included in the **10 % cumulative tolerance** category, the charge is removed from consideration for purposes of determining the **10 % tolerance** level. (Comment 19(e)(3)(ii)-3)

Remember, if the creditor **permits the consumer to shop** for a required settlement service but the consumer either does not select a settlement service provider or chooses a settlement service provider identified by the creditor on the **written list of providers**, then the amount charged **is included** in the sum of all such third-party charges paid by the consumer, and also is subject to the **10 % cumulative tolerance**. (Comment 19(e)(3)(ii)-3)

The TILA-RESPA Rule states that charges for services not required by the creditor, even those paid to affiliates of the creditor, are “variations permitted for certain charges” or charges that are not subject to tolerance. (§ 1026.19(e)(3)(iii)(E)). For example, owner's title insurance that is not required by the creditor will be a variation permitted charge that is not subject to tolerance as long as it is disclosed as optional.

7.7 What if the creditor estimates a charge for a service that is not actually performed? (Comment 19(e)(3)(ii)-5)

The creditor should compare the sum of the charges actually paid by or imposed on the consumer with the sum of the estimated charges on the **Loan Estimate** that are actually performed. If a service is not performed, the estimate for that charge should be removed from the total amount of estimated charges. (Comment 19(e)(3)(ii)-5)

7.8 What if a consumer pays more for a particular charge for a third-party service or recording fee than estimated, but the total charges paid are still within 10% of the estimate? (Comment 19(e)(3)(ii)-2)

Whether an individual estimated charge subject to § 1026.19(e)(3)(ii) is in **good faith** depends on whether the sum of all charges subject to that section increases by more than 10 percent, even if a particular charge does not increase by 10 percent. A creditor may charge more than 10% in excess of an individual estimated charge in this category, so long as the sum of all charges is still within the **10% cumulative tolerance**. (Comment 19(e)(3)(ii)-2)

7.9 What if the creditor does not provide an estimate of a particular charge that is later charged? (Comment 19(e)(3)(ii)-2)

Creditors also are provided flexibility in disclosing individual fees by the focus on the aggregate amount of all charges. A creditor may charge a consumer for a fee that would fall under the **10% cumulative tolerance** but was not included on the **Loan Estimate** so long as the sum of all charges in this category paid does not exceed the sum of all estimated charges by more than 10%. (Comment 19(e)(3)(ii)-2)

7.10 What charges are subject to zero tolerance? (§ 1026.19(e)(3)(i))

For all other charges, creditors are not permitted to charge consumers more than the amount disclosed on the **Loan Estimate** unless there is a **changed circumstance** or other triggering event that permits a revised estimate, as discussed below in section 8.1.

These **zero tolerance** charges are:

- Fees paid to the creditor, mortgage broker, or an **affiliate** of either (§ 1026.19(e)(3)(ii)(B); Comment 19(e)(3)(i)-1);
- Fees paid to an unaffiliated third party if the creditor did not permit the consumer to **shop** for a third party service provider for a settlement service (§ 1026.19(e)(3)(ii)(C); Comment 19(e)(3)(i)-1.iv); or
- Transfer taxes. (Comments 19(e)(3)(i)-1 and -4)

7.11 When is a charge paid to a creditor, mortgage broker, or an affiliate of either?

A charge is **paid to** the creditor, mortgage broker, or an **affiliate** of either if it is retained by that person or entity. A charge is not **paid to** one of these entities when it receives money but passes it on to an unaffiliated third party. (Comment 19(e)(3)(i)-3)

The term **affiliate** is given the same meaning it has for purposes of determining Ability-to-Repay and HOEPA coverage: any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956. (12 U.S.C. 1841 et seq.) (§ 1026.32(b)(5))

7.12 What must creditors do when the amounts paid exceed the amounts disclosed on the Loan Estimate beyond the applicable tolerance thresholds? (§ 1026.19(f)(2)(v))

If the amounts paid by the consumer at closing exceed the amounts disclosed by more than the applicable **tolerance** threshold, the creditor must **refund** the excess to the consumer no later than **60 calendar days after consummation**.

- For charges subject to **zero tolerance**, any amount charged beyond the amount disclosed on the **Loan Estimate** (or **revised Loan Estimate, Closing Disclosure**,

or **corrected Closing Disclosure** if applicable) must be refunded to the consumer.
(§ 1026.19(e)(3)(i))

- For charges subject to a **10% cumulative tolerance**, to the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the **Loan Estimate** (or **revised Loan Estimate, Closing Disclosure, or corrected Closing Disclosure**, if applicable) by more than 10%, the difference must be refunded to the consumer. (§ 1026.19(e)(3)(ii))

8. Revisions to Loan Estimates

8.1 When are revisions permitted for Loan Estimates?

Generally, a creditor may revise a **Loan Estimate** at any time before it provides the **Closing Disclosure**. However, the creditor must ensure that the consumer receives the revised **Loan Estimate** no later than **four business days** prior to **consummation**. The creditor is permitted to rely on the charges disclosed in a revised **Loan Estimate** to reset **tolerances** in more limited circumstances.

Creditors generally are bound by the amounts in the **Loan Estimate** provided within three **business days** of the **application**, and may not issue revised estimates of charges because they later discover technical errors, miscalculations, or underestimations of charges. Creditors are permitted to provide and use revised estimates for purposes of determining **good faith** and resetting **tolerances** only in certain specific circumstances:

- **Changed circumstances** that occur after the **Loan Estimate** is provided to the consumer cause an estimated charge to increase more than is permitted under the TILA-RESPA Rule (§ 1026.19(e)(3)(iv)(A));
 - **Changed circumstances** affect the consumer's creditworthiness or the value of the property securing the loan and cause a consumer to be ineligible for an estimated charge previously disclosed to the consumer (§ 1026.19(e)(3)(iv)(B));
 - Changes to the credit terms or the settlement are requested by the consumer and those changes cause an estimated charge to increase (§ 1026.19(e)(3)(iv)(C));
 - The interest rate was not locked when the **Loan Estimate** was provided, and locking the rate causes the points or lender credits to change (§ 1026.19(e)(3)(iv)(D));
 - The consumer indicates an **intent to proceed** with the transaction more than 10 **business days** after the **Loan Estimate** was originally provided (§ 1026.19(e)(3)(iv)(E)); or
 - The loan is a new construction loan, and settlement is delayed by more than 60 calendar days, if the original **Loan Estimate** states clearly and conspicuously that at any time prior to 60 calendar days before **consummation**, the creditor may issue revised disclosures. (§ 1026.19(e)(3)(iv)(F))
- 💬 When creditors revise estimated charges for these reasons, the revised **Loan Estimate** may reflect increased charges only to the extent actually justified by the reason for the revision. (Comment 19(e)(3)(iv)-2). Creditors must also retain records demonstrating compliance with the requirements of § 1026.19(e), in order to comply with the record retention requirements of the TILA-RESPA Rule. (Comment 19(e)(3)(iv)-3)

Revisions can also be provided on the **Closing Disclosure**. For information about providing **Closing Disclosures**, including providing a **Closing Disclosure** to reset tolerances, see sections 10, 11, and 12 below.

8.2 What is a “changed circumstance”? (§ 1026.19(e)(3)(iv)(A))

A **changed circumstance** for purposes of providing a revised estimate and resetting **tolerances** is:

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction (§ 1026.19(e)(3)(iv)(A)(1));
- Information specific to the consumer or transaction that the creditor relied upon when providing the disclosures and that was inaccurate or changed after the disclosures were provided (§ 1026.19(e)(3)(iv)(A)(2)); or
- New information specific to the consumer or transaction that the creditor did not rely on when providing the disclosures. (§ 1026.19(e)(3)(iv)(A)(3))

8.3 What are changed circumstances that affect settlement charges?

A **changed circumstance** affects settlement charges if it causes an estimated charge to increase by more than the applicable **tolerance** or, in the case of estimated charges subject to the **10% cumulative tolerance**, causes the sum of those charges to increase by more than the **10% tolerance**. (§ 1026.19(e)(3)(iv)(A); Comment 19(e)(3)(iv)(A)-1)

Examples of **changed circumstances** affecting settlement costs include (Comment 19(e)(3)(iv)(A)-2):

- A natural disaster, such as a hurricane or earthquake, damages the property or otherwise results in additional closing costs.
- The creditor disclosed a charge for title insurance, but the title insurer goes out of business during underwriting,
- New information not relied upon when providing the charges is discovered, such as a neighbor of the seller filing a claim contesting the boundary of the property to be sold.

NOTE: Creditors are not required to collect all six pieces of information constituting the consumer's **application**—*i.e.*, the consumer's name, monthly income, social security number to obtain a credit report, the property address, an estimate of the value of the property, or the mortgage loan amount sought—prior to issuing the **Loan Estimate**. However, creditors are presumed to have collected this information prior to providing the **Loan Estimate** and may not later collect it and claim a changed circumstance. For example, if a creditor provides a **Loan Estimate** prior to receiving the property address from the consumer, the creditor cannot subsequently claim that the receipt of the property address is a **changed circumstance**. (Comment 19(e)(3)(iv)(A)-3)

8.4 What if the changed circumstance causes third party charges subject to a cumulative 10% tolerance to increase?

It is possible that one of the events described above may cause one or more third-party charges subject to a **10% cumulative tolerance** to increase. Creditors are permitted to provide and rely upon a revised **Loan Estimate** and reset **tolerances** only when the cumulative effect of the **changed circumstance** results in an increase to the sum of all costs subject to the **tolerance** by more than 10%. (Comment 19(e)(3)(iv)(A)-1.ii)

A creditor may use a **Closing Disclosure** or corrected **Closing Disclosure** to reset tolerances as well. (§ 1026.19(e)(4)). For information about using **Closing Disclosures** to reset tolerances, see sections 10.3, 11.11, 12.2 and 12.3 below.

8.5 What are changed circumstances that affect eligibility? (§ 1026.19(e)(3)(iv)(B))

A creditor also may provide and use a revised **Loan Estimate** and reset **tolerances** if a **changed circumstance** affected the consumer's creditworthiness or the value of the security for the loan, and resulted in the consumer being ineligible for an estimated loan term previously disclosed. (§ 1026.19(e)(3)(iv)(B); Comment 19(e)(3)(iv)(B)-1)

This may occur when a changed circumstance causes a change in the consumer's eligibility for specific loan terms disclosed on the **Loan Estimate**, which in turn results in increased cost for a settlement service beyond the applicable tolerance threshold. (Comment 19(e)(3)(iv)(A)-2)

For example:

- The creditor relied on the consumer's representation to the creditor of a \$90,000 annual income, but underwriting determines that the consumer's annual income is only \$80,000.
- There are two co-applicants applying for a mortgage loan and the creditor relied on a combined income when providing the **Loan Estimate**, but one applicant subsequently becomes unemployed.

A creditor may also use a **Closing Disclosure** or corrected **Closing Disclosure** to reset tolerances when changed circumstances affect eligibility. (§ 1026.19(e)(4)). For information about using **Closing Disclosures** to reset tolerances, see sections 10.3, 11.11, 12.2 and 12.3 below.

8.6 May a creditor use a revised Loan Estimate if the consumer requests revisions to the terms or charges? (§ 1026.19(e)(3)(iv)(C))

Yes. A creditor may use a revised **Loan Estimate** to reset **tolerances** if the consumer requests revisions to the credit terms or settlement that affect items disclosed on the **Loan Estimate** and cause an estimated charge to increase. (§ 1026.19(e)(3)(iv)(C); Comment 19(e)(3)(iv)(C)-1)

Remember, providing a revised **Loan Estimate** allows creditors to compare the updated figures for charges that have increased due to an event that allows for redisclosure to the amount actually charged for those services. If amounts decrease or increase only to an extent that does not exceed the applicable tolerance, the **Loan Estimate** is still deemed to be in **good faith**. Redisclosure is permissible in these circumstances, but will not reset the tolerances, and

creditors must continue to measure the tolerances against the original **Loan Estimate**.
(§ 1026.19(e)(4)(i))

A creditor may also use a **Closing Disclosure** or corrected **Closing Disclosure** to reset tolerances when a consumer requests revisions. (§ 1026.19(e)(4)). For information about using **Closing Disclosures** to reset tolerances, see sections 10.3, 11.11, 12.2 and 12.3 below.

8.7 May the written list of service providers be revised to reflect Loan Estimate revisions?

A creditor may update and re-disclose the **written list of service providers** to reflect a new service that is added as a result of a changed circumstance or borrower requested change.

When an event that would permit resetting of tolerances under § 1026.19(e)(3)(iv) occurs and an additional settlement service is required, the creditor may disclose service providers of that additional service on the written list at the same time as issuing the revised **Loan Estimate**. If the creditor will permit the consumer to shop for this new service, there are two ways that a creditor may approach adding this new service to the written list.

- First, the creditor may include the additional service and provide an updated written list; or
- Second, the creditor may provide a written list showing only service providers of the additional service.

Either method complies with the rule.

If the creditor intends to allow the consumer to shop for the additional service but fails to provide an updated or revised **written list of service providers**, the additional service is subject to zero **tolerance**. (Comment 19(e)(3)(iii)-2)

8.8 May a creditor use a revised Loan Estimate if the rate is locked after the initial Loan Estimate is provided? (§ 1026.19(e)(3)(iv)(D))

Yes. If the interest rate for the loan was not locked when the **Loan Estimate** was provided and, upon being locked at some later time, the interest rate as well as points or lender credits for the mortgage loan may change. The creditor is required to provide a revised **Loan Estimate** no later than three **business days** after the date the interest rate is locked, and may use the revised **Loan Estimate** to compare to points and lender credits charged.

The revised **Loan Estimate** must reflect the revised interest rate as well as any revisions to the points disclosed on the **Loan Estimate** pursuant to § 1026.37(f)(1), lender credits, and any other interest rate dependent charges and terms that have changed due to the new interest rate. (§ 1026.19(e)(3)(iv)(D); Comment 19(e)(3)(iv)(D)-1)

A creditor may use a **Closing Disclosure** or corrected **Closing Disclosure** to reset tolerances as well. (§ 1026.19(e)(4)). For information about using **Closing Disclosures** to reset tolerances, see sections 10.3, 11.11, 12.2 and 12.3 below.

8.9 May a creditor use a revised Loan Estimate if the initial Loan Estimate expires? (§ 1026.19(e)(3)(iv)(E))

Yes. If the consumer indicates an **intent to proceed** with the transaction more than 10 **business days** after the **Loan Estimate** was delivered or placed in the mail to the consumer, a creditor may use a revised **Loan Estimate**. (§ 1026.19(e)(3)(iv)(E); Comment 19(e)(3)(iv)(E)-1). No justification is required for the change to the original estimate of a

☞ Creditors should count the number of **business days** from the date the **Loan Estimate** was delivered or placed in the mail to the consumer, and use the definition of **business day** that applies for purposes of providing the **Loan Estimate**. (§ 1026.19(e)(1)(iii); Comment 19(e)(1)(iii)-1; § 1026.2(a)(6))

charge other than the lapse of 10 **business days**.

8.10 Are there any other circumstances where creditors may use revised Loan Estimates to reset tolerances?

Yes. In addition to the circumstances described above, creditors also may use a revised **Loan Estimate** where the transaction involves financing of new construction and the creditor reasonably expects that settlement will occur more than 60 calendar days after the original **Loan Estimate** has been provided.
(§ 1026.19(e)(3)(iv)(F))

Creditors may use revised **Loan Estimates** in this circumstance only when the original **Loan Estimate** clearly and conspicuously stated that at any time prior to 60 days before **consummation** the creditor may issue revised disclosures.
(Comment 19(e)(3)(iv)(F)-1)

💬 A new construction loan is a loan for the purchase of a home that is not yet constructed or the purchase of a new home where construction is currently underway, not a loan for financing home improvement, remodeling, or adding to an existing structure. Nor is it a loan on a home for which a use and occupancy permit has been issued prior to the issuance of a **Loan Estimate**.

9. Timing for Revisions to Loan Estimate

9.1 What is the general timing requirement for providing a revised Loan Estimate? (§ 1026.19(e)(4)(i))

The general rule is that the creditor must deliver or place in the mail the revised **Loan Estimate** to the consumer no later than **three business days** after receiving the information sufficient to establish that one of the reasons for the revision described in section 8.1 above has occurred. (§ 1026.19(e)(4)(i); Comment 19(e)(4)(i)-1)

9.2 Are there any restrictions on how many days before consummation a revised Loan Estimate may be provided? (§ 1026.19(e)(4))

Yes.

- The creditor may not provide a revised **Loan Estimate** on or after the date it provides the **Closing Disclosure**. (§ 1026.19(e)(4)(ii))
- The creditor must ensure that the consumer **receives** the revised **Loan Estimate** no later than **four business days** prior to **consummation**.

If the creditor is mailing the revised **Loan Estimate** and relying upon the 3 business day mailbox rule, the creditor would need to place in the mail the **Loan Estimate** no later than

seven business days before **consummation** of the transaction to allow 3 business days for receipt. (§ 1026.19(e)(4); Comment 19(e)(4)(i)-2)

As discussed in section 11.2 below regarding the **Closing Disclosure**, when a revised **Loan Estimate** is provided in person, it is considered received by the consumer on the day it is provided. If it is mailed or delivered electronically, the consumer is considered to have received it three **business days** after it is delivered or placed in the mail. (Comments 19(e)(1)(iv)-1 and -2)

However, if the creditor has evidence that the consumer received the revised **Loan Estimate** earlier than three **business days** after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date. (Comments 19(e)(1)(iv)-1 and -2) (See also discussion below in section 11.3 of this guide on similar receipt rule under § 1026.19(e)(1)(iv) and commentary regarding the **Closing Disclosure**.)

9.3 What definition of “business day” applies to redisclosure rules?

For purposes of providing a revised **Loan Estimate** within three **business days** of receiving information sufficient to establish that an event permitting redisclosure has occurred, the standard definition of **business day** applies (See section 6.14 above).

However, for purposes of the **four-business-day** period prior to **consummation**, “business day” means all calendar days except Sundays and legal public holidays specified in 5 U.S.C. 6103(a) such as New Year’s Day, the Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day. (Comment 19(e)(4)(ii)-1; § 1026.2(a)(6); Comment 2(a)(6)-2)

9.4 May a creditor revise a Loan Estimate after a Closing Disclosure already has been provided? (§ 1026.19(e)(4)(ii))

No. The creditor may not provide a revised **Loan Estimate** on or after the date the creditor provides the consumer with the **Closing Disclosure**. (§ 1026.19(e)(4)(ii); Comment

19(e)(4)(ii)-1.ii). (See also section 11.1 below, discussing timing requirements for the **Closing Disclosure**). Because the **Closing Disclosure** must be provided to the consumer no later than **three business days** before **consummation** (see section 10.2 below), this means the consumer must receive a revised **Loan Estimate** no later than **four business days** prior to **consummation**. (§ 1026.19(e)(4)(ii); Comment 19(e)(4)(ii)-1.ii)

If a **Closing Disclosure** has already been provided to the consumer, the creditor must use a corrected **Closing Disclosure** to reset tolerances, not a revised **Loan Estimate**. For more information on using a **Closing Disclosure** or corrected **Closing Disclosure** to reset tolerances, see sections 10.3, 11.11, 12.2 and 12.3 below.

■

10. Closing Disclosures

10.1 What are the general requirements for the Closing Disclosure? (§§ 1026.19(f) and 1026.38)

For loans that require a **Loan Estimate** and that proceed to closing, creditors must provide a **Closing Disclosure**, which is a final disclosure reflecting the actual terms of the transaction. The form integrates and replaces the HUD-1 and the final TIL disclosure for these transactions. The creditor is generally required to ensure that the consumer receives the **Closing Disclosure** no later than **three business days** before **consummation** of the loan. (§ 1026.19(f)(1)(ii))

- **The Closing Disclosure generally must contain the actual terms and costs of the transaction.** (§ 1026.19(f)(1)(i)). Creditors may estimate disclosures using the best information reasonably available when the actual term or cost is not reasonably available to the creditor at the time the disclosure is made. However, creditors must act in **good faith** and use **due diligence** in obtaining the information. The creditor normally may rely on the representations of other parties in obtaining the information, including, for example, the settlement agent. The creditor is required to provide corrected disclosures containing the actual terms of the transaction at or before **consummation**. (Comments 19(f)(1)(i)-2, -2.i, and -2.ii)

The Closing Disclosure must be in writing and contain the information prescribed in § 1026.38. The creditor must disclose only the specific information set forth in § 1026.38(a) through (s), as shown in the Bureau's form in appendix H-25. (§ 1026.38(t))

- **If the actual terms or costs of the transaction change prior to consummation**, the creditor must provide a corrected disclosure that contains the actual terms of the transaction and complies with the other requirements of § 1026.19(f), including the timing requirements, and requirements for providing corrected disclosures due to subsequent changes. (Comment 19(f)(1)(i)-1)
- **New three-day waiting period.** If the creditor provides a corrected disclosure, it may also be required to provide the consumer with an additional **three-business-day waiting period** prior to **consummation**. (§ 1026.19(f)(2)). (See section 12 below for a discussion of the redisclosure requirements for the **Closing Disclosure**)

10.2 The rule requires creditors to provide the Closing Disclosure three business days before consummation. Is “consummation” the same thing as closing or settlement? (§ 1026.2(a)(13))

No, **consummation** may commonly occur at the same time as closing or settlement, but it is a legally distinct event. **Consummation** occurs when the consumer becomes contractually obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a seller on a real estate transaction.

The point in time when a consumer becomes contractually obligated to the creditor on the loan depends on applicable State law. (§ 1026.2(a)(13); Comment 2(a)(13)-1). Creditors and settlement agents should verify the applicable State laws to determine when **consummation** will occur, and make sure delivery of the **Closing Disclosure** occurs at least **three business days** before this event.

10.3 Are creditors permitted to use a Closing Disclosure to reset tolerances? (§ 1026.19(e)(4); Comment 19(e)(4)(ii)-1)

Yes. Like with a revised **Loan Estimate**, a creditor can use a **Closing Disclosure** to reset tolerances when there is a **changed circumstance** or other triggering event. (Comment 19(e)(4)(ii)-1)

See section 8.1 and 8.2 above for more information about what events qualify as a **changed circumstance** or other triggering event that allows a creditor to reset tolerances.

10.4 Does a creditor have to use the Bureau's Closing Disclosure form? (§ 1026.38(t))

Generally, yes. For any loans subject to the TILA-RESPA Rule that are **federally related mortgage loans** subject to RESPA (which will include most mortgages), form H-25 is a **standard form**, meaning creditors **must** use the form H-25, including all of its elements such as font sizes, bolding, shading, and underscoring. (§ 1026.38(t)(3)(i)). (See also § 1024.2(b) for definition of **federally related mortgage loan**).

For other transactions subject to the TILA-RESPA Rule that are **not federally related mortgage loans**, form H-25 is a **model form**, meaning creditors are not strictly required to use form H-25, but the disclosures must contain the exact same information and be made with headings, content, and format substantially similar to form H-25. (§ 1026.38(t)(3)(ii))

10.5 Are creditors required to use any particular method to complete (*i.e.*, insert information into) the Closing Disclosure form?

Creditors are not required to use any particular method to complete the **Closing Disclosure**. It may be completed by hand, computer, typewriter, or word processor. The TILA-RESPA Rule only requires that:

- The information must be clear and legible; and
- The information must comply with the required formatting, including replicating bold font where required. (Comment 38(t)(5)-2)

10.6 What information goes on the Closing Disclosure form?

The following is a brief, page-by-page overview of the **Closing Disclosure** form, generally describing the information creditors are required to disclose. For detailed instructions on how to determine the contents of each of these fields, see the **TILA-RESPA Guide to Forms**.

10.7 Page 1: General information, loan terms, projected payments, and costs at closing

Closing Disclosure		<i>This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.</i>	
Closing Information Date Issued Closing Date Disbursement Date Settlement Agent File # Property Sale Price	Transaction Information Borrower Seller Lender	Loan Information Loan Term Purpose Product Loan Type ☐ Conventional ☐ FHA ☐ VA ☐ _____ Loan ID # MIC #	
Loan Terms		Can this amount increase after closing?	
Loan Amount			
Interest Rate			
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>			
		Does the loan have these features?	
Prepayment Penalty			
Balloon Payment			
Projected Payments			
Payment Calculation			
Principal & Interest			
Mortgage Insurance			
Estimated Escrow <i>Amount can increase over time</i>			
Estimated Total Monthly Payment			
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> <i>See page 4 for details</i>	This estimate includes ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>		In escrow?
Costs at Closing			
Closing Costs	Includes _____ in Loan Costs + _____ in Other Costs – _____ in Lender Credits. <i>See page 2 for details.</i>		
Cash to Close	Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>		

General information, the **Loan Terms** table, the **Projected Payments** table, and the **Costs at Closing** table are disclosed on the first page of the **Closing Disclosure**. (§ 1026.38(a), (b), (c), and (d))

10.8 Page 2: Loan costs and other costs

Closing Cost Details						
Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges						
01	% of Loan Amount (Points)					
02						
03						
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For						
01						
02						
03						
04						
05						
06						
07						
08						
09						
10						
C. Services Borrower Did Shop For						
01						
02						
03						
04						
05						
06						
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)						
Loan Costs Subtotals (A + B + C)						
Other Costs						
E. Taxes and Other Government Fees						
01	Recording Fees	Deed:	Mortgage:			
02						
F. Prepays						
01	Homeowner's Insurance Premium (mo.)					
02	Mortgage Insurance Premium (mo.)					
03	Prepaid Interest (per day from to)					
04	Property Taxes (mo.)					
05						
G. 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					
H. Other						
01						
02						
03						
04						
05						
06						
07						
08						
I. TOTAL OTHER COSTS (Borrower-Paid)						
Other Costs Subtotals (E + F + G + H)						
J. TOTAL CLOSING COSTS (Borrower-Paid)						
Closing Costs Subtotals (D + I)						
Lender Credits						

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID #

The **Loan Costs** and **Other Costs** tables are disclosed under the heading Closing Cost Details on page 2 of the **Closing Disclosure**. (§ 1026.38(f), (g), and (h)). The number of items in the **Loan Costs** and **Other Costs** tables can be expanded and deleted to accommodate the disclosure of additional line items and keep the **Loan Costs** and **Other Costs** tables on page 2 of the **Closing Disclosure**. (§ 1026.38(t)(5)(iv)(A); Comment 38(t)(5)(iv)-2). See 10.11 below for further discussion.

However, items that are required to be disclosed even if they are not charged to the consumer (such as Points in the Origination Charges subheading) cannot be deleted. (Comment 38(t)(5)(iv)-1)

Seller-paid **Loan Costs** and **Other Costs** are required to be disclosed on the consumer's **Closing Disclosure**, regardless of whether a separate **Closing Disclosure** is provided to the seller. Seller-paid real estate commissions are one example of seller-paid costs that may not be omitted from and must be included on the consumer's **Closing Disclosure**. (§ 1026.38(g)(4); Comment 38(g)(4)-4). Additionally, non-commission real estate brokerage or agent charges for services to the seller or consumer are required to be itemized separately, with a description of the service and an identification of the person ultimately receiving the payment. (Comment 38(g)(4)-1 and -4; § 1026.2(a)(11); (a)(22))

The **Loan Costs** and **Other Costs** tables can be disclosed on two separate pages of the **Closing Disclosure**, but only if the page cannot accommodate all of the costs required to be disclosed on one page. (§ 1026.38(t)(5)(iv)(B); Comment 38(t)(5)(iv)-2)

When used, these pages are numbered page 2a and 2b. (Comment 38(t)(5)(iv)-2). For an example of this permissible change to the **Closing Disclosure**, see form H-25(H) of appendix H to Regulation Z.

10.9 Page 3: Calculating cash to close, summaries of transactions, and alternatives for transactions without a seller

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.	
	Loan Estimate	Final	Did this change?
Total Closing Costs (I)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
Cash to Close			

Summaries of Transactions		Use this table to see a summary of your transaction.	
BORROWER'S TRANSACTION		SELLER'S TRANSACTION	
K. Due from Borrower at Closing		M. Due to Seller at Closing	
01 Sale Price of Property		01 Sale Price of Property	
02 Sale Price of Any Personal Property Included in Sale		02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)		03	
04		04	
Adjustments		05	
05		06	
06		07	
07		08	
Adjustments for Items Paid by Seller in Advance		Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to		09 City/Town Taxes to	
09 County Taxes to		10 County Taxes to	
10 Assessments to		11 Assessments to	
11		12	
12		13	
13		14	
14		15	
15		16	
L. Paid Already by or on Behalf of Borrower at Closing		N. Due from Seller at Closing	
01 Deposit		01 Excess Deposit	
02 Loan Amount		02 Closing Costs Paid at Closing (J)	
03 Existing Loan(s) Assumed or Taken Subject to		03 Existing Loan(s) Assumed or Taken Subject to	
04		04 Payoff of First Mortgage Loan	
05 Seller Credit		05 Payoff of Second Mortgage Loan	
Other Credits		06	
06		07	
07		08 Seller Credit	
Adjustments		09	
08		10	
09		11	
10		12	
11		13	
Adjustments for Items Unpaid by Seller		Adjustments for Items Unpaid by Seller	
12 City/Town Taxes to		14 City/Town Taxes to	
13 County Taxes to		15 County Taxes to	
14 Assessments to		16 Assessments to	
15		17	
16		18	
17		19	
CALCULATION		CALCULATION	
Total Due from Borrower at Closing (K)		Total Due to Seller at Closing (M)	
Total Paid Already by or on Behalf of Borrower at Closing (L)		Total Due from Seller at Closing (N)	
Cash to Close ☐ From ☐ To Borrower		Cash ☐ From ☐ To Seller	

CLOSING DISCLOSURE

PAGE 3 OF 5 • LOAN ID #

On page 3 of the **Closing Disclosure**, the **Calculating Cash to Close** table and **Summaries of Transactions** tables are disclosed. (§ 1026.38(i), (j), and (k)). For transactions without a seller, a **Payoffs and Payments** table may be substituted for the **Summaries of Transactions** table and placed before the alternative **Calculating Cash to Close** table. (§ 1026.38(e)(4) and (t)(5)(vii)(B)). For example, see page 3 of form H-25(J) of appendix H to Regulation Z.

10.10 Page 4: Additional information about this loan

Additional Information About This Loan											
Loan Disclosures											
Assumption If you sell or transfer this property to another person, your lender ☐ will allow, under certain conditions, this person to assume this loan on the original terms. ☐ will not allow assumption of this loan on the original terms.	Escrow Account For now, your loan ☐ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.										
Demand Feature Your loan ☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details. ☐ does not have a demand feature.	<table border="1"><thead><tr><th colspan="2">Escrow</th></tr></thead><tbody><tr><td>Escrowed Property Costs over Year 1</td><td>Estimated total amount over year 1 for your escrowed property costs:</td></tr><tr><td>Non-Escrowed Property Costs over Year 1</td><td>Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.</td></tr><tr><td>Initial Escrow Payment</td><td>A cushion for the escrow account you pay at closing. See Section G on page 2.</td></tr><tr><td>Monthly Escrow Payment</td><td>The amount included in your total monthly payment.</td></tr></tbody></table>	Escrow		Escrowed Property Costs over Year 1	Estimated total amount over year 1 for your escrowed property costs:	Non-Escrowed Property Costs over Year 1	Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.	Initial Escrow Payment	A cushion for the escrow account you pay at closing. See Section G on page 2.	Monthly Escrow Payment	The amount included in your total monthly payment.
Escrow											
Escrowed Property Costs over Year 1	Estimated total amount over year 1 for your escrowed property costs:										
Non-Escrowed Property Costs over Year 1	Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.										
Initial Escrow Payment	A cushion for the escrow account you pay at closing. See Section G on page 2.										
Monthly Escrow Payment	The amount included in your total monthly payment.										
Late Payment If your payment is more than ____ days late, your lender will charge a late fee of _____.	☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.										
Negative Amortization (Increase in Loan Amount) Under your loan terms, you ☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. ☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. ☐ do not have a negative amortization feature.	<table border="1"><thead><tr><th colspan="2">No Escrow</th></tr></thead><tbody><tr><td>Estimated Property Costs over Year 1</td><td>Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.</td></tr><tr><td>Escrow Waiver Fee</td><td></td></tr></tbody></table>	No Escrow		Estimated Property Costs over Year 1	Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.	Escrow Waiver Fee					
No Escrow											
Estimated Property Costs over Year 1	Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.										
Escrow Waiver Fee											
Partial Payments Your lender ☐ may accept payments that are less than the full amount due (partial payments) and apply them to your loan. ☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan. ☐ does not accept any partial payments. If this loan is sold, your new lender may have a different policy.	In the future, Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.										
Security Interest You are granting a security interest in _____ _____ _____ You may lose this property if you do not make your payments or satisfy other obligations for this loan.											
Adjustable Payment (AP) Table	Adjustable Interest Rate (AIR) Table										
Interest Only Payments?	Index + Margin										
Optional Payments?	Initial Interest Rate										
Step Payments?	Minimum/Maximum Interest Rate										
Seasonal Payments?	Change Frequency										
Monthly Principal and Interest Payments	First Change										
First Change/Amount	Subsequent Changes										
Subsequent Changes	Limits on Interest Rate Changes										
Maximum Payment	First Change										
	Subsequent Changes										
CLOSING DISCLOSURE	PAGE 4 OF 5 - LOAN ID #										

On page 4 of the Closing Disclosure, Loan Disclosures, Adjustable Payment, and Adjustable Interest Rate (AIR) tables are shown with the heading **Additional Information About This Loan**. (§ 1026.38(l), (m), and (n))

10.11 Page 5: Loan calculations, other disclosures and contact information

Loan Calculations		Other Disclosures			
Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.		Appraisal If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.			
Finance Charge. The dollar amount the loan will cost you.		Contract Details See your note and security instrument for information about • what happens if you fail to make your payments, • what is a default on the loan, • situations in which your lender can require early repayment of the loan, and • the rules for making payments before they are due.			
Amount Financed. The loan amount available after paying your upfront finance charge.		Liability after Foreclosure If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan, ☐ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information. ☐ state law does not protect you from liability for the unpaid balance.			
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.		Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.			
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.		Tax Deductions If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.			

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

Contact Information					
	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name					
Address					
NMLS ID					
License ID					
Contact					
Contact NMLS ID					
Contact License ID					
Email					
Phone					

Confirm Receipt

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

Applicant Signature	Date	Co-Applicant Signature	Date
---------------------	------	------------------------	------

CLOSING DISCLOSURE
PAGE 5 OF 5 • LOAN ID #

Disclose **Loan Calculations**, **Other Disclosures**, **Questions Notice**, **Contact Information**, and, if desired by the creditor, **Confirm Receipt** tables on page 5 of the **Closing Disclosure**. (§ 1026.38(o), (p), (q), and (r))

For a description and instructions for calculations of amounts for the information and amounts required on the **Closing Disclosure**, please see the **Closing Disclosure** section of the **TILA-RESPA Guide to Forms**.

10.12 What should be done if the information required to be disclosed does not fit in the space allotted on the Closing Disclosure form?

In some cases, additional information that does not fit in a particular section of the **Closing Disclosure** may be disclosed on a separate page with the **Closing Disclosure**. However, one must look to the particular subsection in § 1026.38 to determine if the TILA-RESPA Rule permits or requires the information to be provided in an additional pages (*i.e.*, an addendum).

There is no required form for an addendum. Additionally, the information that is included on the addendum will depend on the requirements for the original disclosure of that information on the **Closing Disclosure**. For example, if a creditor or settlement agent is using an additional page to list several other sellers that could not fit onto the first page of the **Closing Disclosure**, the name and address of the sellers that would not fit would be included on an addendum with the label, “Sellers.”

The creditor or settlement agent may want to include information or statements to indicate that the addendum or additional pages relate to the **Closing Disclosure** so that the additional pages are clear and conspicuous to the consumer. (§ 1026.17(a)(1))

Generally, information that is required or permitted to be disclosed on a separate page with the **Closing Disclosure** should be formatted similarly to the **Closing Disclosure** itself. The additional pages should not affect the substance, clarity, or meaningful sequence of the **Closing Disclosure**. (Comment 38(t)(5)-5)

10.13 The HUD-1 has a comparison chart to show the applicable tolerance levels

and how the charges compare. Where is the equivalent chart on the Closing Disclosure?

There is no chart on the **Closing Disclosure** equivalent to the HUD-1 comparison chart. The creditor is responsible for tracking charges off sheet to ensure that the amounts disclosed on the **Loan Estimate** were made in good faith and that the charges at closing do not exceed the applicable tolerances.

To the extent there are any refunds from the creditor to the consumer for a violation of the good faith standard, the refund should be disclosed with lender credits on page 2 of the **Closing Disclosure**. (§ 1026.38(h)(3))

Any refund should be itemized in a manner as shown in form H-25(F) of appendix H.

■ See Form H-25(F) from appendix H.

J. TOTAL CLOSING COSTS (Borrower-Paid)	\$5,977.57	
Closing Costs Subtotals (D + I)	\$5,822.57	\$655.00
Lender Credits (Includes \$200 credit for increase in Closing Costs above legal limit)	- \$500.00	

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.	
	Loan Estimate	Final	Did this change?
Loan Amount	\$150,000.00	\$150,000.00	NO
Total Closing Costs (J)	- \$5,099.00	- \$5,977.57	YES • See Total Loan Costs (D) and Total Other Costs (I) • Increase exceeds legal limits by \$200. See Lender Credits on page 2 for credit of excess amount.
Closing Costs Paid Before Closing	\$0	\$655.00	YES • You paid these Closing Costs before closing
Total Payoffs and Payments (K)	- \$120,000.00	- \$115,000.00	YES • See Payoffs and Payments (K)
Cash to Close	\$24,901.00	\$29,677.43	
	☐ From ☒ To Borrower	☐ From ☒ To Borrower	Closing Costs Financed (Paid from your Loan Amount) \$5,322.57



11. Delivery of Closing Disclosure

11.1 What are the general timing and delivery requirements for the Closing Disclosure? (§ 1026.19(f))

Generally, the creditor is responsible for ensuring that the consumer receives the **Closing Disclosure** form no later than **three business days** before **consummation**. (§ 1026.19(f)(1)(ii)(A); Comment 19(f)(1)(v)-3). (Although see section 10.1 above regarding the good faith and due diligence requirements and see section 11.4 below regarding delivery of the **Closing Disclosure** by a settlement agent.)

☞ If a creditor is providing a Closing Disclosure with estimated terms or costs, it must act in good faith and exercise due diligence in obtaining the information (§ 1026.19(f)(1)(i); 1026.17(c)(2)(i)). See section 10.1 for more information.

The creditor also is responsible for ensuring that the **Closing Disclosure** meets the content, delivery, and timing requirements discussed in sections 10, 11, and 12 of this guide. (§§ 1026.19(f) and 1026.38)

11.2 How must the Closing Disclosure be delivered? (§ 1026.19(f)(1)(iii))

To ensure the consumer receives the **Closing Disclosure** on time, creditors must arrange for delivery as follows:

- By providing it to the consumer in person;
- By mailing or by other delivery methods, including email. Creditors may use electronic delivery methods, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 *et seq.*). (Comment 19(f)(1)(iii)-2; § 1026.38(t)(3)(iii))
- Creditors must ensure that the consumer receives the **Closing Disclosure** at least three **business days** prior to **consummation**. (§ 1026.19(f)(1)(ii)(A))

11.3 When is the Closing Disclosure considered to be received if it is delivered in person or if it is mailed? (§ 1026.19(f)(1)(iii))

If the **Closing Disclosure** is provided in person, it is considered received by the consumer on the day it is provided. If it is mailed or delivered electronically, the consumer is considered to have received the **Closing Disclosure** three **business days** after it is delivered or placed in the mail. (§ 1026.19(f)(1)(iii); Comment 19(f)(1)(ii)-2)

However, if the creditor has evidence that the consumer received the **Closing Disclosure** earlier than three **business days** after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date. (Comments 19(f)(1)(iii)-1 and -2). (See also the discussion above in section 6.4 of this guide on similar receipt rule under § 1026.19(e)(1)(iv) and commentary regarding the **Loan Estimate**.)

11.4 Can a settlement agent provide the Closing Disclosure on the creditor's behalf? (§ 1026.19(f)(1)(v))

Yes. Creditors may contract with settlement agents to have the settlement agent provide the **Closing Disclosure** to consumers on the creditor's behalf. (§ 1026.19(f)(1)(v)). Creditors and settlement agents also may agree to divide responsibility with regard to completing the **Closing**

Disclosure, with the settlement agent assuming responsibility to complete some or all the **Closing Disclosure**. (Comment 19(f)(1)(v)-4)

Any such creditor must maintain communication with the settlement agent to ensure that the **Closing Disclosure** and its delivery satisfy the requirements of the TILA-RESPA Rule. The creditor is legally responsible for any errors or defects. (§ 1026.19(f)(1)(v); Comment 19(f)(1)(v)-3)

11.5 Who is responsible for providing the Closing Disclosure to a seller in a purchase transaction? (§ 1026.19(f)(4)(i))

The settlement agent is required to provide the seller with the **Closing Disclosure** reflecting the actual terms of the seller's transaction. (§ 1026.19(f)(4)(i))

The settlement agent may comply with this requirement by providing the seller with a copy of the **Closing Disclosure** provided to the consumer (buyer) if it also contains information relating to the seller's transaction. (Comment 19(f)(4)(i)-1)

However, the TILA-RESPA Rule affords flexibility in providing the seller those disclosures that relate to the seller's transaction, and does not require that the seller receive the same version of the **Closing Disclosure** provided to the customer. Therefore, the settlement agent may also provide the seller with a separate disclosure, including only the information applicable to the seller's transaction from the **Closing Disclosure** (§ 1026.38(t)(5)(v) or (vi), as applicable). (See form H-25(I) of appendix H to Regulation Z for a model form).

11.6 When a separate disclosure is provided to the seller, is the Settlement Agent required to provide the creditor with a copy of the seller's Closing Disclosure?

Yes. If the seller's disclosure is provided in a separate document, the settlement agent must provide the creditor with a copy of the disclosure provided to the seller. (§ 1026.19(f)(4)(iv))

11.7 When a separate disclosure is provided to the seller, what information is required to be disclosed on the seller's Closing Disclosure? (§ 1026.38(t)(5)(v) and (vi))

When separate disclosures are provided, the seller must be provided with the disclosures in section 1026.38 that relate to the seller's transaction reflecting the actual terms of the seller's transaction. Model form H-25(I) of appendix H to Regulation Z illustrates the seller's modified **Closing Disclosure**, which is required to disclose the summary of the seller's transaction, contact information for the real estate brokers and settlement agent, and **Loan Costs** and **Other Costs** paid by the seller at or before closing. (§ 1026.38(t)(5)(v) and (vi))

11.8 What if there is more than one consumer involved in a transaction? (§ 1026.17(d))

In rescindable transactions, the **Closing Disclosure** must be given separately to each consumer who has the right to rescind under TILA (see § 1026.23), although the disclosures required for adjustable rate mortgages need only be provided to the consumer who expresses an interest in a variable-rate loan program. (§ 1026.19(b)) (See Comment 2(a)(12)-2 for more information about which parties are considered consumers in rescindable transactions).

💬 **Implementation tip:** Some creditors may desire that each obligor to a transaction subject to § 1026.19(f) receive a **Closing Disclosure** to obtain a signature of customary recitals or certifications that are appended to the disclosure pursuant to § 1026.38(t)(5).

In transactions that are not rescindable, the **Closing Disclosure** may be provided to any consumer with primary liability on the obligation. (§ 1026.17(d); Comment 17(d)-2)

11.9 When does the creditor have to provide the Closing Disclosure to the consumer? (§ 1026.19(f)(1)(ii))

Creditors must ensure that consumers receive the **Closing Disclosure** no later than **three business days** before **consummation**. (§ 1026.19(f)(1)(ii)(A))

- **Consummation** is the time that a consumer becomes contractually obligated on the credit transaction, and may not necessarily coincide with the settlement or closing of the entire real estate transaction. (§ 1026.2(a)(13))
- For timeshare transactions, the creditor must ensure that the consumer receives the **Closing Disclosure** no later than **consummation**. (§ 1026.19(f)(1)(ii)(B))

Remember that **business day** is given a different meaning for purposes of providing the **Closing Disclosure** than it is for purposes of providing the **Loan Estimate** after receiving a

consumer's **application**. (See section 6.9 above describing definition of **business day**). For purposes of providing the **Closing Disclosure**, the term **business day** means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year's Day, the Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day. (See §§ 1026.2(a)(6); 1026.19(f)(1)(ii)(A) and (f)(1)(iii))

This requirement imposes a **three-business-day waiting period**, meaning that the loan may not be consummated less than three **business days** after the **Closing Disclosure** is received by the consumer. If a settlement is scheduled during the waiting period, the creditor generally must postpone settlement, unless a settlement within the waiting period is necessary to meet a **bona fide personal financial emergency**. (§ 1026.19(f)(1)(iv))

11.10 May a consumer waive the three-business-day waiting period? (§ 1026.19(f)(1)(iv))

Yes. Like the **seven-business-day waiting period** after receiving the **Loan Estimate** (see section 6.9 above), consumers may waive or modify the **three-business-day waiting period** when:

- The extension of credit is needed to meet a **bona fide personal financial emergency**. (§ 1026.19(f)(1)(iv));
 - The consumer has received the **Closing Disclosure**; and
 - The consumer gives the creditor a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all consumers who are primarily liable on the legal obligation. (§ 1026.19(f)(1)(iv))
- ☞ For example, the imminent sale of the consumer's home at foreclosure, where the foreclosure sale will proceed unless loan proceeds are made available to the consumer during the waiting period, may be considered a **bona fide personal financial emergency**. (Comment 19(f)(1)(iv)-1)

The creditor is prohibited from providing the consumer with a pre-printed waiver form. (§ 1026.19(f)(1)(iv))

11.11 Are there timing requirements for providing a Closing Disclosure to reset tolerances? (§ 1026.19(e)(4))

Yes. Like providing a revised **Loan Estimate**, in order to use the **Closing Disclosure** to reset tolerances, the **Closing Disclosure** must be provided within three **business days** of receiving information sufficient to establish that a changed circumstance or another triggering event has occurred.

Additionally, the other timing requirements for a **Closing Disclosures** also apply. See the rest of section 11 for more information.

11.12 Does the three-business-day waiting period apply when corrected Closing Disclosures must be issued to the consumer? (§ 1026.19(f)(2)(i) and (ii))

Yes, in some circumstances. The **three-business-day waiting period** requirement applies to a corrected **Closing Disclosure** that is provided when there are:

- The loan's disclosed APR becomes inaccurate;
- Changes to the loan product; or
- The addition of a prepayment penalty. (§ 1026.19(f)(2)(ii))

If other types of changes occur, creditors must ensure that the consumer receives a corrected **Closing Disclosure** at or before **consummation**. (§ 1026.19(f)(2)(i))

For more information on providing a corrected **Closing Disclosure**, see section 12 below.

11.13 When must the settlement agent provide the Closing Disclosure to the seller? (§ 1026.19(f)(4)(ii))

The settlement agent must provide the seller its copy of the **Closing Disclosure** no later than the day of **consummation**. (§ 1026.19(f)(4)(ii))

11.14 Are creditors ever allowed to impose average charges on consumers instead of the actual amount received? (§ 1026.19(f)(3)(i)-(ii))

In general, the amount imposed on the consumer for any settlement service must not exceed the amount the settlement service provider actually received for that service. However, an **average charge** may be imposed instead of the actual amount received for a particular service, as long as the **average charge** satisfies certain conditions. (§ 1026.19(f)(3)(i)-(ii); Comment 19(f)(3)(i)-1)

An **average charge** may be used if the following conditions are satisfied (§ 1026.19(f)(3)(ii)):

- The **average charge** is no more than the average amount paid for that service by or on behalf of all consumers and sellers for a class of transactions;
- The creditor or settlement service provider defines the class of transactions based on an appropriate period of time, geographic area, and type of loan;
- The creditor or settlement service provider uses the same **average charge** for every transaction within the defined class; and
- The creditor or settlement service provider does not use an **average charge**:
 - For any type of insurance;
 - For any charge based on the loan amount or property value; or
 - If doing so is otherwise prohibited by law.

If the creditor develops representative samples of specific settlement costs for a particular class of transactions, the creditor may charge the average cost for that settlement service instead of the actual cost for such transactions. An **average-charge** program may not be used in a way that inflates the cost for settlement services overall. (Comment 19(f)(3)(ii)-1)

Creditors should consult the commentary to § 1026.19(f)(3)(ii) for additional guidance on using **average-charge** pricing. (See Comments 19(f)(3)(ii)-1 through -9)

12. Corrections to Closing Disclosures

12.1 When are creditors required to correct Closing Disclosures? (§ 1026.19(f)(2))

Creditors must redisclose terms or costs on the **Closing Disclosure** if certain changes occur to the transaction after the **Closing Disclosure** was provided that cause the disclosures to become inaccurate. (Comment 19(f)(1)(i)-1). There are three categories of changes that require a corrected **Closing Disclosure** containing all changed terms. (§ 1026.19(f)(2))

- Changes that occur before **consummation** that require a new **three-business-day** waiting period. (§ 1026.19(f)(2)(ii))
- Changes that occur before **consummation** and do **not** require a new **three-business-day** waiting period. (§ 1026.19(f)(2)(i))
- Changes that occur after **consummation**. (§ 1026.19(f)(2)(iii))

12.2 Are creditors permitted to use a corrected Closing Disclosure to reset tolerances? (§ 1026.19(e)(4); Comment 19(e)(4)(ii)-1)

Yes. Like with a revised **Loan Estimate**, a creditor can use a corrected **Closing Disclosure** to reset tolerances when there is a **changed circumstance** or other triggering event. (Comment 19(e)(4)(ii)-1)

See section 8.1 and 8.2 above for more information about what events qualify as a **changed circumstance** or other triggering event that allows a creditor to reset tolerances.

12.3 Are there timing requirements for providing a corrected Closing Disclosure to reset tolerances? (§ 1026.19(e)(4))

Yes. Like providing a revised **Loan Estimate**, in order to use the corrected **Closing Disclosure** to reset tolerances, the corrected **Closing Disclosure** must be provided within three **business days** of receiving information sufficient to establish that a changed circumstance or another triggering event has occurred.

Other **Closing Disclosure** general timing and delivery requirements also apply. For example, when providing a corrected **Closing Disclosure** before **consummation** due to inaccuracy, the creditor must ensure the consumer receives a corrected **Closing Disclosure** at or before **consummation**. Additionally, the new **three-business-day-waiting period** may apply (see section 12.4 below). For more information on the general timing requirements, see section 11 above and section 12 below.

12.4 What changes before consummation require a new waiting period? (§ 1026.19(f)(2)(ii))

If one of the following occurs after delivery of the **Closing Disclosure** and before **consummation**, the creditor must provide a corrected **Closing Disclosure** containing all changed terms and ensure that the consumer receives it no later than three **business days** before **consummation**. (§ 1026.19(f)(2)(ii); Comment 19(f)(2)(ii)-1)

- **The disclosed APR becomes inaccurate.** If the annual percentage rate (APR) previously disclosed becomes inaccurate, the creditor must provide a corrected **Closing Disclosure** with the corrected APR disclosure and all other terms that have changed. The APR's accuracy is determined according to § 1026.22. (§ 1026.19(f)(2)(ii)(A))

- **The loan product changes.** If the loan product previously disclosed becomes inaccurate, the creditor must provide a corrected **Closing Disclosure** with the corrected loan product and all other terms that have changed. (§ 1026.19(f)(2)(ii)(B))

💬 This period may be waived if the consumer is facing a **bona fide personal financial emergency**. (§ 1026.19(f)(1)(iv))

- **A prepayment penalty is added.** If a prepayment penalty is added to the transaction, the creditor must provide a corrected **Closing Disclosure** with the prepayment penalty provision disclosed and all other terms that have changed. (§ 1026.19(f)(2)(ii)(C))

12.5 Is a new three-day waiting period required if the APR decreases? (§ 1026.19(f)(2)(ii)(A))

The TILA-RESPA Rule requires an additional **three-business-day-waiting period** if the APR becomes inaccurate as defined in § 1026.22(a). It is possible that an overstated APR would be inaccurate under § 1026.22(a) of Regulation Z. The TILA-RESPA Rule did not change this section of Regulation Z. For additional information on when the APR becomes inaccurate, see § 1026.22(a), noting that § 1026.22(a)(4) contains special APR accuracy rules for mortgage loans. Additional guidance on the accuracy of overstated APR is available in the Federal Reserve's *Consumer Compliance Outlook*, First Quarter 2011 at www.consumercomplianceoutlook.org/2011/first-quarter/mortgage-disclosure-improvement-act/.

12.6 What changes do not require a new three-day waiting period? (§ 1026.19(f)(2)(i))

For any other changes before **consummation** that do not fall under the three categories in § 1026.19(f)(2)(ii) (*i.e.*, related to the APR, loan product, or the addition of a prepayment penalty), the creditor still must provide a corrected **Closing Disclosure** with any terms or costs that have changed and ensure that the consumer receives it.

For these changes, there is no additional **three-business-day waiting period** required. The creditor must ensure only that the consumer receives the revised **Closing Disclosure at or before consummation**. (§ 1026.19(f)(2)(i); Comment 19(f)(2)(i)-1 through -2)

12.7 What if a consumer asks for the corrected Closing Disclosure before consummation? (§ 1026.19(f)(2)(i))

For changes other than to the APR, loan product, or the addition of a prepayment penalty, the creditor is not required to provide the consumer with the corrected **Closing Disclosure** until the day of **consummation**. However, a consumer has the right to **inspect** the **Closing Disclosure** during the **business day before consummation**. (§ 1026.19(f)(2)(i))

If a consumer asks to inspect the **Closing Disclosure** the **business day before consummation**, the **Closing Disclosure** presented to the consumer must reflect any adjustments to the costs or terms that are known to the creditor at the time the consumer inspects it. (§ 1026.19(f)(2)(i))

Creditors may arrange for settlement agents to permit consumers to inspect the **Closing Disclosure**. (§ 1026.19(f)(1)(v) and Comment 19(f)(2)(i)-2)

An example of a post-consummation event that would require a new **Closing Disclosure** is a discovery that a recording fee paid by the consumer is different from the amount that was disclosed on the **Closing Disclosure**. (Comment 19(f)(2)(iii)-1.i). However, other post-consummation events that are not related to settlement, such as tax increases, do not require a revised **Closing Disclosure**. (Comment 19(f)(2)(iii)-1.iii). For guidance on when a creditor receives information sufficient to establish that an event has occurred after consummation, see Comment 19(e)(4)(i)-1.

12.8 Are creditors required to provide corrected Closing Disclosures if terms or costs change after consummation? (§ 1026.19(f)(2)(iii))

Yes, in some circumstances. Creditors must provide a corrected **Closing Disclosure** if an **event in connection with the settlement** occurs during the **30-calendar-day** period after **consummation** that causes the **Closing Disclosure** to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed.

(§ 1026.19(f)(2)(iii); Comment 19(f)(2)(iii)-1). When a post-consummation event requires a corrected **Closing Disclosure**, the creditor must deliver or place in the mail a corrected **Closing Disclosure** not later than **30 calendar days after receiving information sufficient to establish that such an event has occurred**. (§ 1026.19(f)(2)(iii); Comment 19(f)(2)(iii)-1)

12.9 Is a corrected Closing Disclosure required if a post-consummation event affects an amount paid by the seller? (§ 1026.19(f)(4)(ii))

Yes, in some circumstances. Settlement agents must provide a corrected **Closing Disclosure** if an **event related to the settlement** occurs during the 30-day period after **consummation** that causes the **Closing Disclosure** to become inaccurate and results in a change to an amount actually **paid by the seller** from what was previously disclosed.

The settlement agent must deliver or place in the mail a corrected **Closing Disclosure** not later than **30 calendar days** after receiving information sufficient to establish that such an event has occurred. (§ 1026.19(f)(4)(ii))

12.10 Are clerical errors discovered after consummation subject to the redisclosure obligation? (§ 1026.19(f)(2)(iv); Comment 19(f)(2)(iv)-1)

Yes. Creditors also must provide a corrected **Closing Disclosure** to correct non-numerical **clerical errors** and document refunds for tolerance violations no later than **60 calendar days after consummation**. (§ 1026.19(f)(2)(iv)-(v))

An error is **clerical** if it does not affect a numerical disclosure and does not affect the timing, delivery, or other requirements imposed by § 1026.19(e) or (f). (Comment 19(f)(2)(iv)-1)

For example:

- If the **Closing Disclosure** identifies the incorrect settlement service provider as the recipient of a payment, the error would be considered clerical because it is non-numerical and does not affect any of the delivery requirements set forth in § 1026.19(e) or (f).
- However, if the **Closing Disclosure** lists the wrong property address, which affects the delivery requirement imposed by § 1026.19(e) or (f), the error would not be considered clerical.

12.11 Do creditors need to provide corrected Closing Disclosures when they refund money to cure tolerance violations? (§ 1026.19(f)(2)(v))

Yes. If the creditor cures a tolerance violation by providing a refund to the consumer, the creditor must deliver or place in the mail a corrected **Closing Disclosure** that reflects the refund no later than **60 calendar days after consummation**. (§ 1026.19(f)(2)(v)). (See additional discussion above in section 12.6 of this guide)

13. Additional requirements and prohibitions

13.1 Are there exceptions to the disclosure requirements for loans secured by a timeshare interest? (§ 1026.19(e)(1)(iii)(C)); (f)(1)(ii)(B))

Yes. Loans secured by interests in timeshare plans are still subject to the TILA-RESPA Rule, but the Bureau recognizes that these loans may commonly be consummated within a few days of the consumer's **application**. The Bureau thus adopted abbreviated timing, delivery, and disclosure obligations for these loans when **consummation** occurs **within three business days of the application**. For these loans, creditors may forego a **Loan Estimate** and provide only the **Closing Disclosure**. (§ 1026.19(e)(1)(iii)(C)) and (f)(1)(ii)(B); Comment 19(e)(1)(iii)-4 and Comment 19(f)(1)(ii)-3)

In addition, the waiting periods and timing requirements applicable to most loans subject to the TILA-RESPA Rule are inapplicable to loans secured by timeshare interests. Rather, creditors are required to ensure only that the consumer receives the **Closing Disclosure no later than consummation**. (§ 1026.19(f)(1)(ii)(B)). For details relating to the timing requirements for the **Closing Disclosure** in timeshare transactions, see Comment 19(f)(1)(iii)-3.

13.2 Are there any limits on fees that may be charged prior to disclosure or application?

Yes. A creditor or other person may not **impose any fee** on a consumer in connection with the consumer's **application** for a mortgage transaction until the consumer has received the **Loan Estimate** and has indicated **intent to proceed** with the transaction. (§ 1026.19(e)(2)(i)(A))

This restriction includes limits on imposing:

- Application fees;
- Appraisal fees;
- Underwriting fees; and
- Other fees imposed on the consumer.

The only exception to this exclusion is for a **bona fide and reasonable fee for obtaining a consumer's credit report**. (§ 1026.19)(e)(2)(i)(B); Comment 19(e)(2)(i)(A)-1 through -5 and Comment 19(e)(2)(i)(B)-1)

13.3 Is there a required naming convention used for charges on the Loan Estimate or Closing Disclosure?

Generally, the TILA-RESPA Rule does not prescribe a uniform naming convention outside of the general labels set forth in the rule (*i.e.*, taxes and other government fees, prepaids). It did not create a standard or prescribed list of fee names.

However, there are some specific types of charges that must be identified in a prescribed manner on the form. For example, creditors must itemize and label points paid to the creditor to reduce the interest rate separately and as a percentage of the loan amount. (§ 1026.37(f)(1)-(3); Comment 37(f)(1)-3). There are also specific rules that apply to disclosure of fees related to title services. For example, the TILA-RESPA Rule requires the description fee to be preceded by

the word “title” and a dash or a hyphen. (Comment 37(f)(2)-3). Additionally, the name of a particular fee should be consistent on both the **Loan Estimate** and the **Closing Disclosure** and should reasonably describe the service performed in exchange for payment of the fee. (See §§ 1026.37(f)(5) and (g)(7))

13.4 How does the creditor disclose charges for third-party administrative and processing fees?

A creditor may decide the extent of the itemization for origination charges, except where the TILA-RESPA Rule requires a charge to be disclosed in a specific manner. For example, points charged as a percentage of the loan and loan-level pricing adjustments charged to or passed onto the consumer as a flat fee must be itemized. (§ 1026.37(f)(1)(i); Comment 37(f)(1)-5). Similarly, if the creditor requires the consumer to pay for a third party settlement service in order to originate the loan, the charge must be itemized. The question of whether the third party settlement services must be separately itemized depends on whether the creditor requires the consumer to pay for that charge. If the creditor treats the charge as a normal business overhead expense, such as rent, utilities, wages, etc., the charge should not be separately itemized. (Comment 37(f)(1)-1)

13.5 How does a consumer indicate an intent to proceed with a transaction? (§ 1026.19(e)(2)(i)(A))

A consumer indicates **intent to proceed** with the transaction when the consumer communicates, in any manner, that the consumer chooses to proceed after the **Loan Estimate** has been delivered, unless a particular manner of communication is required by the creditor. (§ 1026.19(e)(2)(i)(A))

This may include:

- Oral communication in person immediately upon delivery of the **Loan Estimate**; or

- Oral communication over the phone, written communication, communication via email, or signing a pre-printed form after receipt of the **Loan Estimate**.

A consumer's silence is not indicative of **intent to proceed**. (Comment 19(e)(2)(i)(A)-2)

The creditor must document this communication to satisfy the record retention requirements of § 1026.25.

13.6 What does it mean to impose a fee? (Comment 19(e)(2)(i)(A)-5)

A fee is **imposed** by a person if the person requires a consumer to provide a method for payment, even if the payment is not made at that time. (Comment 19(e)(2)(i)(A)-5)

This would include, for example:

- A creditor or mortgage broker requiring the consumer to provide a check to pay for a processing fee before the consumer receives the **Loan Estimate**, even if the check is not to be cashed until after the **Loan Estimate** is received and the consumer has indicated an **intent to proceed**.
- A creditor or mortgage broker requiring the consumer to provide a credit card number for a processing fee before the consumer receives the **Loan Estimate**, even if the credit card will not be charged until after the **Loan Estimate** is received and the consumer has indicated an **intent to proceed**.

💬 As discussed above, a creditor or other person may impose a bona fide and reasonable fee before the consumer receives the **Loan Estimate**, if the fee is for purchasing a credit report on the consumer. (§ 1026.19(e)(2)(i)(B))

13.7 Can creditors provide estimates of costs and terms to consumers before the Loan Estimate is provided? (§ 1026.19(e)(2)(ii))

The TILA-RESPA Rule does not prohibit a creditor or other person from providing a consumer with estimated terms or costs prior to the consumer receiving the **Loan Estimate**.

However, if a person (such as a creditor or broker) provides a consumer with a written estimate of terms or costs specific to that consumer before the consumer receives the **Loan Estimate**, it must clearly and conspicuously state at the top of the front of the first page of the written estimate “**Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan.**” (§ 1026.19(e)(2)(ii); Comment 19(e)(2)(ii)-1)

There are other restrictions on the form of this statement to assure it is not confused with the **Loan Estimate**:

- Must be in font size no smaller than 12-point font.
- May not have headings, content, and format substantially similar to the **Loan Estimate** or the **Closing Disclosure**. (§ 1026.19(e)(2)(ii); Comment 19(e)(2)(ii)-1)

The Bureau has provided a model of the required statement in form H-26 of appendix H to Regulation Z.

14. Construction loans

14.1 What options are available for disclosing construction loans? (§ 1026.17(c)(6)(ii))

The same, long-standing options for disclosing construction loans are available to creditors under the TILA-RESPA Rule.

The creditor may choose whether to disclose a construction-to-permanent loan as **one transaction** or as **two separate transactions**. (§ 1026.17(c)(6)(ii); Comment 17(c)(6)(ii)-2)

- If the creditor chooses to disclose the loan as **one transaction**, a single set of disclosures (**Loan Estimate** and **Closing Disclosure**) covers both phases of the transaction.
- If the creditor chooses to disclose the loan as **two separate transactions**, the construction phase has its own **Loan Estimate** and **Closing Disclosure**, while the permanent phase has its own **Loan Estimate** and **Closing Disclosure**.

A creditor may also use appendix D to Regulation Z (**appendix D**), which permits the creditor to disclose multiple advance loans to finance the construction of a dwelling that may be permanently financed by the same creditor either as a single transaction or as more than one transaction. **Appendix D** also provides methods that creditors may use, at their option, to estimate interest and disclose the terms of multiple-advance construction loans when the amounts or timing of advances is unknown at **consummation**.

14.2 Is the creditor required to disclose the sale price or estimated value for all construction loans? (§ 1026.37(a)(7))

The requirement to disclose a sale price or estimated value if loan proceeds are used to finance construction costs depends upon whether the transaction involves a seller, and whether the sale price is known at the time the disclosure is made.

In transactions where there is a seller, the creditor is required to disclose the contract sale price of the property, if known. (§ 1026.37(a)(7)(i)). If the sale price is not yet known, the creditor may disclose the estimated or appraised value of the property that it used as the basis for the disclosures in the **Loan Estimate**.

(Comment 37(a)(7)-1)

In transactions without a seller, the creditor discloses the estimated value of the property at the time the disclosure is issued to the consumer.

(§ 1026.37(a)(7)(ii); Comment 37(a)(7)-1). If the creditor has obtained any appraisals or valuations

of the property, the creditor discloses as the estimated property value the value determined by the appraisal or valuation that will be used during underwriting the mortgage **application**.

(Comment 37(a)(7)-1). If the creditor has obtained multiple appraisals or valuations and has not yet determined which one it will use during underwriting, the creditor may disclose the value stated in any of the multiple appraisals or valuations that the creditor reasonably believes it may use in underwriting the transaction. (Comment 37(a)(7)-1)

□ In the context of construction loans, **a transaction without a seller** includes, for example, instances where the consumer already owns the land on which the consumer will construct a dwelling.

Absent its own estimate, the creditor may use the estimate provided by the consumer at application.

14.3 How is the Loan Product disclosed for construction loans? (§ 1026.37(a)(10))

When the loan is disclosed as **one transaction**, the construction and permanent phases are considered a single transaction in which the contract terms of each of the phases are combined.

The analysis to determine what the creditor must disclose as the **Loan Product** for this combined, single transaction is the same as it would be for any other single transaction.

For example:

- When a single disclosure is used for both the construction and permanent phases and each phase has a different fixed rate, the creditor must disclose the **Loan Product** as “**step rate**.” This is because the interest rate will change after **consummation**, and the rates and the periods for which the rates will apply are known at **consummation**. (§ 1026.37(a)(10)(i)(B))
- When a single disclosure is used for both the construction and permanent phases and one phase of a construction-to-permanent transaction has an **adjustable rate**, and the other phase has a **fixed rate**, the creditor must disclose the **Loan Product** as “**adjustable rate**.” This is because the interest rate may increase after **consummation**, and the rates that will apply are not known at **consummation**. (§ 1026.37(a)(10)(i)(A); Comment 37(a)(10)-1.i)

When the loan is disclosed as **two separate transactions**, the creditor discloses the product that describes each phase. For example, when separate disclosures are used for the construction and permanent phases and each phase has a different **fixed rate**, the creditor would disclose the product for each loan as “fixed rate,” even if each phase has a different rate.

Regardless of whether the construction-to-permanent loan is disclosed as one or two transactions, each disclosure must follow the requirement that if a transaction has more than one loan payment feature, the creditor only discloses the first feature in the order that the features are listed in the TILA-RESPA Rule.

(§ 1026.37(a)(10)(iii)). For example, when separate disclosures are used for the construction and permanent phases, both an **interest only** feature and a **balloon payment** feature may be present in the construction phase. Because the **interest only** feature is listed before the **balloon payment** feature in the TILA-RESPA Rule, the creditor must disclose the **interest only** feature but **not** the **balloon payment** feature. (§ 1026.37(a)(10)(ii))

14.4 What interest rate is disclosed when the creditor does not know the rate that will apply to the permanent phase? (§§ 1026.37(b)(2) and 1026.19(e)(1)(i))

Because the permanent phase may begin months after a creditor is required to provide disclosures, the creditor may not know at the time the disclosures are provided the interest rate that will apply to the permanent phase. To disclose the interest rate on the **Loan Estimate** for the permanent phase when the loan is disclosed as **two separate transactions**, the creditor must determine if the permanent phase has an adjustable rate or a fixed rate.

- If the permanent phase has an **adjustable rate** and the interest rate that will apply at **consummation** is **not** known when the **Loan Estimate** is provided, the creditor is required to disclose the fully indexed rate, which is the interest rate calculated using the index value and margin at the time of **consummation**. If the index value and margin that will be in effect at consummation must be provided, the fully-indexed rate disclosed may be based on the index in effect at the time the disclosure is delivered. (§ 1026.37(b)(2); Comment 37(b)(2)-1)
 - Under § 1026.19(e)(3)(iv)(F), a revised Loan Estimate may be provided for the permanent phase at any time prior to 60 days before consummation. See section 8.10, above.
- If the permanent phase has a **fixed rate**, the creditor should use the best information reasonably available to the creditor at the time the disclosure is provided to the consumer. (Comment 19(e)(1)(i)-1) (See also § 1026.17(c)(2)(i); Comment 17(c)(2)(i)-1)

14.5 What amount does the creditor disclose as the initial payment for the construction phase in the Loan Terms table of the Loan Estimate? (§ 1026.37(b)(3))

When the loan is disclosed as **one transaction**, the initial monthly principal and interest payment disclosed in the **Loan Terms** table of the **Loan Estimate** will be the first payment made during the construction phase of the transaction.

Similarly, when the loan is disclosed as **two separate transactions**, the initial monthly principal and interest payment disclosed in the **Loan Terms** table of the **Loan Estimate** for the construction phase is also the initial payment made during the construction phase.

To disclose the initial payment for the construction phase, the creditor uses the interest rate that will apply to the transaction at **consummation**, and applies that interest rate to the principal that is owed at **consummation**. (§ 1026.37(b)(2))

However, with a construction loan, the creditor may not know the principal amount to which this interest rate is applied. This is because the actual draw schedule, which generally determines the amount on which the actual interest payment will be based, may not be known. The longstanding provisions of **appendix D** specifically address this situation, and provide special procedures that may be used to estimate interest and make disclosures for construction loans when the actual schedule of advances is not known.

Appendix D provides two options, based on the commitment amount on which interest is payable, for estimating the interest payable during the construction period.

Option one provides that if, under the terms of the legal obligation, interest is payable only on the amount actually advanced for the time it is outstanding, the creditor may assume one-half of the commitment amount is outstanding at the contract interest rate for the entire construction period. This option is available for loans disclosed as **one transaction** under Part II.A.1 and for loans disclosed as **two separate transactions** under Part I.A.1 of **appendix D**.

- For example, assume the creditor originates a 12 month, interest only construction loan for \$100,000 at 5 percent with interest payable only on the amount actually advanced for the time it's outstanding. Under option one in **appendix D**, the creditor may assume \$50,000 is outstanding (one-half of the \$100,000 commitment) for the entire construction period, and after applying the interest rate by multiplying \$50,000 by .05, would obtain a total estimated interest payment of \$2,500. When divided by 12, this would yield an initial periodic payment of \$208.33 for the 12 month, interest only construction loan phase.

Option two provides that if interest is payable on **the entire commitment amount without regard to the dates or amounts of actual disbursement**, the creditor may assume that the entire commitment amount is outstanding at the contract interest rate for the entire construction period. This option is available for loans disclosed as **one transaction** under Part II.A.2 and for loans disclosed as **two separate transactions** under Part I.B.1 of **appendix D**.

- For example, assume the creditor originates a 12 month, interest only construction loan for \$100,000 at 5 percent with interest payable on the entire commitment amount. Using option two in **appendix D**, the creditor would multiply \$100,000 (the entire commitment amount) by the interest rate, producing a total annual estimated interest payment of \$5000. When divided by 12, the initial periodic payment is \$416.66 for the 12 month, interest only construction loan phase.

14.6 How does the creditor disclose a balloon payment in the Loan Terms table (§ 1026.37(b)(7)(ii)) and Projected Payments table (§ 1026.37(c)(1)(ii)(A))?

When a creditor discloses the construction phase of a construction-permanent transaction separately from the permanent phase, the balloon payment due at the end of the construction phase must be disclosed in the **Loan Terms** table pursuant to § 1026.37(b)(7)(ii). In addition, a creditor would disclose the **balloon payment** in its own column as a separate periodic payment or range of payments in the **Projected Payments** table. (§ 1026.37(c)(1)(ii)(A))

For example, assuming the construction phase requires interest-only payments:

- In a one-year, construction loan with a **fixed interest rate**, if the final balance of the construction phase corresponds to the twelfth or final monthly payment, the balloon payment will include the interest that has accumulated since the eleventh payment was made.
 - When disclosing the balloon payment in the **Loan Terms** table of the **Loan Estimate**, the creditor discloses the balloon payment as the loan amount plus the final amount of interest that accrued between the eleventh payment and the final balance of the construction phase.
 - In the **Projected Payments** table, the balloon payment disclosed is the same amount as disclosed in the **Loan Terms** table. (Comment app. D-7.i; § 1026.37(b)(7)(ii); § 1026.37(c)(1)(ii)(A))
- In a one-year construction loan with an **adjustable interest rate**, if the final balance of the construction phase corresponds to the twelfth or final monthly payment, the balloon payment will include the interest that has accumulated since the eleventh payment was made.
 - When disclosing the balloon payment in the **Loan Terms** table of the **Loan Estimate**, the amount disclosed is the “maximum amount” and is based upon the loan amount plus the maximum payment of interest in the range of payments that would be disclosed in the **Projected Payments** table.
 - In the **Projected Payments** table, the balloon payment range disclosed is the loan amount plus the minimum amount of the interest payment on the low end of the range and the loan amount plus the maximum amount of the interest payment on the high end of the range disclosed in the first column of the **Projected Payments** table. (Comment app. D-7.i; § 1026.37(b)(7)(ii); § 1026.37(c)(1)(ii)(A))

14.7 If the creditor discloses the loan as one transaction, how are the mortgage insurance and estimated escrow disclosed in the Projected Payments table? (§ 1026.37(c)(2))

When the loan is disclosed as **one transaction** and the terms of the legal obligation for the permanent phase, but not the construction phase, require mortgage insurance or escrow, the way the creditor discloses the escrow and mortgage insurance depends on whether the first column of the **Projected Payments** table exclusively discloses the construction phase.

If the first column of the **Projected Payments** table **exclusively discloses the construction phase**:

- **Mortgage insurance:** the creditor discloses “0” in the first column of the **Projected Payments** table for mortgage insurance. (Comments 37(c)(2)(ii)-1 and 37(c)(2)(iii)-1)
- **Escrow:** the creditor discloses a hyphen or dash in the first column of the **Projected Payments** table for escrow.
(Comment 37(c)(2)(iii)-1)

However, if the first column discloses **both the construction phase and the permanent phase** payments, the amount of the mortgage insurance premium or escrow payment (if any) for the permanent phase is disclosed in the first column. (Comments 37(c)(2)(ii)-2; 37(c)(2)(iii)-1)

☞ Mortgage insurance premiums are disclosed on the same periodic basis that payments for principal and interest are disclosed, even if mortgage insurance premiums are actually paid on some other periodic basis.
(Comments 37(c)(2)(ii)-2)

14.8 Does the creditor indicate there will be an escrow account in the Projected Payments table for the construction phase? (§ 1026.37(c)(4))

When both phases of a construction-permanent loan are disclosed as **one transaction**, if there will be an escrow account only during the permanent phase, the creditor discloses “YES” to indicate the estimated taxes, insurance, and assessments will be in escrow, as applicable. (§ 1026.37(c)(4)(iv)). The amounts are calculated based on the creditor’s due diligence to obtain the best information reasonably available at the time of the disclosure is made to the consumer. (Comments 17(c)(2)(i)-1 and 19(e)(1)(i)-2)

When the loan is disclosed as **two separate transactions**, if an escrow account will be established for the permanent phase, but not the construction phase, the disclosure for the construction phase is “NO” and the disclosure for the permanent phase is “YES.” (§ 1026.37(c)(4)(iv))

14.9 How does the creditor calculate the estimated taxes, insurance, and assessments in the Projected Payments table? (§ 1026.37(c)(5))

When disclosing the estimated taxes, insurance, and assessments for a single or two separate **transactions**, like all closed-end consumer credit transactions secured by real estate, the amount of estimated taxes, insurance or assessments are disclosed as a monthly amount, even if no escrow account is established. The amounts must reflect the taxable assessed value of the real property securing the transaction after **consummation**.

The items are calculated as follows

- **Estimated property taxes:** The amount of the estimated property taxes to be disclosed includes the value of any improvements on the property or to be constructed

on the property, if known, regardless of whether the construction will be financed from the proceeds of the loan. (§ 1026.37(c)(5)(i))

- **Estimated homeowner's insurance:** The amount of the estimated homeowner's insurance must reflect the replacement costs during the initial year after the transaction. (§ 1026.37(c)(5)(ii))

For more information about how to disclose the estimated property taxes, insurance and assessments, see section 2.2.3.F of the **TILA-RESPA Guide to Forms**.

14.10 Is the Adjustable Payment (AP) table completed for a construction loan? (§ 1026.37(i))

When the loan is disclosed as one transaction, the **Adjustable Payment (AP)** table must be disclosed because the transition from interest-only payments to payments of principal and interest will always be present. It is disclosed as it would be for any other loan, but also using **appendix D**'s assumption to compute the interest-only periodic payment. See section 14.5 above for more information on using **appendix D** to compute the periodic payment.

For example, if the interest-only period during the 12-month construction phase has a rate that adjusts monthly, the creditor would make the following disclosures in the **Adjustable Payment (AP)** table:

- The "Interest Only Payments" must state "Yes for your first 12 payments". (§ 1026.37(i)(1))
- Under the "Monthly Principal and Interest Payments" portion of the **Adjustable Payment (AP)** table:
 - The **First Change/Amount** must disclose the range of minimum and maximum payments that will be made at the second payment. (§ 1026.37(i)(5)(i))
 - The **Subsequent Changes** discloses the "smallest period of adjustments that may occur." (Comment 37(i)(5)-3). In this example it is disclosed as "Every payment."
 - For purposes of determining the number of the periodic payment that can first reach the **Maximum Payment**, the creditor begins counting from the first

payment under the construction phase, which is the first payment of the combined transaction. (§ 1026.37(i)(5)(iii)).

For more information on this topic, see section 2.3.5 of the **TILA-RESPA Guide to Forms**.

14.11 Does the creditor disclose the Adjustable Interest Rate (AIR) table for construction loans? (§ 1026.37(j))

When the construction-permanent loan is disclosed as **one transaction**, if the construction phase has one fixed rate while the permanent phase has a different fixed rate, it is disclosed as a step rate product and the **Adjustable Interest Rate (AIR)** table is required. The disclosures would be similar to other step rate products. If either or both phases have an adjustable rate, the **Adjustable Interest Rate (AIR)** table is also required. (§ 1026.37(j); Comment 37(j)-1)

When the construction-permanent loan is disclosed as two separate transactions, the **Adjustable Interest Rate (AIR)** table is required for either phase where the interest rate of the phase may increase after **consummation**. If the creditor does not know the interest rate for the permanent phase of the loan, for example if the permanent phase has an adjustable rate, the rate disclosed is the fully indexed rate, which is the interest rate calculated using the index value and margin at the time of **consummation**. If the index value and margin that will apply at the time of **consummation** are not known at the time the disclosure must be made, the fully-indexed rate disclosed may be based on the index in effect at the time the disclosure is delivered. (§§ 1026.37(j)(3), 1026.37(b)(2), and Comment 37(b)(2)-1). For more information on determining the interest rate for adjustable rate construction loans used in the disclosures for the **Adjustable Interest Rate (AIR)** table, see section 14.4 above.

14.12 How is the “In 5 Years” amount calculated when the construction phase is disclosed as a separate transaction and its term is 12 months or less? (Comment 37(l)(1)-1)

When the construction phase of a loan is disclosed as a separate transaction and **is** 12 months or less in duration, the creditor discloses the amounts paid through the end of the loan term in the Total of Payments table. The amount disclosed would be the full amount of the total principal, interest, mortgage insurance, and loan costs scheduled to be paid through the end of the construction phase. (Comment 37(l)(1)-1)

14.13 How is the Total Interest Percentage (TIP) calculated? (Comment 37(l)(3)-2)

The **Total Interest Percentage (TIP)** for the construction phase of a construction-to-permanent loan is calculated using the interest amount based on the applicable **appendix D** assumption for the outstanding balance to which the contract interest rate applies. (Parts I.A.1 and II.A.1 of appendix D)

When the loan is disclosed as **one transaction** and is a step rate product, the creditor computes the **Total Interest Percentage (TIP)** in accordance with § 1026.17(c)(1) and its associated commentary. (§ 1026.37(l)(3); comment 37(l)(3)-2)

Whether the loan is disclosed as a single transaction or as **two separate transactions**, if any transaction is disclosed as an adjustable rate product, comment 37(l)(3)-2 provides that for adjustable rate products, the creditor computes the **Total Interest Percentage (TIP)** according to comment 17(c)(1)–10.

15. Special Information Booklet (Your Home Loan Toolkit: A step-by-step guide)

15.1 When must creditors deliver the special information booklet? (§ 1026.19(g))

Creditors must provide a copy of the **special information booklet** to consumers who apply for a consumer credit transaction secured by real property, except in certain circumstances (see below). The **special information booklet** is required pursuant to Section 5 of RESPA (12 U.S.C. 2604) and is published by the Bureau to help consumers applying for federally related mortgage loans understand real estate transactions. (§ 1026.19(g)(1))

- If the consumer is applying for a HELOC subject to § 1026.40, the creditor (or mortgage broker) can provide a copy of the brochure entitled “When Your Home is On the Line: What You Should Know About Home Equity Lines of Credit” instead of the **special information booklet**. (§ 1026.19(g)(1)(ii))
- The creditor need not provide the **special information booklet** if the consumer is applying for a real property-secured consumer credit transaction that does not have the purpose of purchasing a one-to-four family residential property, such as a refinancing, a closed-end loan secured by a subordinate lien, or a reverse mortgage. (§ 1026.19(g)(1)(iii))

Creditors must deliver or place in the mail the **special information booklet** not later than three **business days** after receiving the consumer's loan **application**. (§ 1026.19(g)(1)(i))

In April 2015, the Bureau released the most recent version, titled *Your home loan toolkit: a step-by-step guide* ("Toolkit"), which is designed to be used in connection with the Loan Estimate and Closing Disclosure forms that became effective on October 3, 2015. This Toolkit replaced the document titled *Shopping For Your Home Loan: Settlement Cost Booklet*, originally published by HUD.



Multiple versions of the Toolkit, including a Spanish language version, are available at www.consumerfinance.gov/learnmore/#respa. There is an electronic version designed for web posting and interactivity as well as print ready PDFs. Copies can also be ordered from the Government Printing Office (www.gpo.gov). There are two formatted versions available, an 8-1/2" x 11" version as well as an envelope size version.

15.2 What happens if the consumer withdraws the application or the creditor determines it cannot approve it? (§ 1026.19(g)(1)(i))

If the creditor denies the consumer's **application** or if the consumer withdraws the application before the end of the three-business-day period, the creditor need not provide the **special information booklet**. (§ 1026.19(g)(1)(i); Comment 19(g)(1)(i)-3)

15.3 What if there are multiple applicants?

When two or more persons apply together for a loan, the creditor may provide a copy of the **special information booklet** to just one of them. (Comment 19(g)(1)-2)

15.4 If the consumer is using a mortgage broker to apply for the loan, can the broker provide the booklet?

If the consumer uses a mortgage broker, the mortgage broker must provide the **special information booklet** and the creditor need not do so. (§ 1026.19(g)(1)(i))

15.5 Are creditors allowed to change or tailor the booklet to their own preferences and business needs?

Creditors generally are required to use the booklets designed by the Bureau and may make only limited changes to the **special information booklet**. (§ 1026.19(g)(2)). Nevertheless, the cover of the booklet may be in any form and may contain any drawings, pictures or artwork, provided that the title appearing on the cover shall not be changed. Names, addresses, and telephone numbers of the creditor or others and similar information may appear on the cover, but no discussion of the matters covered in the booklet shall appear on the cover.

The Bureau may issue revised or alternative versions of the **special information booklet** from time to time in the future. Creditors should monitor the *Federal Register* for notice of updates. (Comment 19(g)(1)-1)

15.6 Can market participants place their logo on the Toolkit cover?

Yes. Instructions and a required disclaimer are available at www.consumerfinance.gov/learnmore/#respa.

15.7 If a creditor makes the Toolkit available on its website, does that satisfy the rule's delivery requirement?

No. Making the **special information booklet**, also known as the Toolkit, available on a web site does not satisfy the TILA-RESPA Rule's delivery requirement. The creditor must deliver or place the **special information booklet in the mail** not later than three **business days** after receiving the consumer's application.

16. Other disclosures

16.1 Does the TILA-RESPA Rule require disclosures besides the Loan Estimate and Closing Disclosure?

Yes. In addition to the Integrated Disclosures discussed above, the TILA-RESPA Rule also changes some other post-**consummation** disclosures provided to consumers by creditors and servicers: the **Escrow Closing Notice** (§ 1026.20(e)) and **Mortgage Servicing Transfer And Partial Payment Notices** (§ 1026.39(a) and (d)).

16.2 When must the Escrow Closing Notice be provided? (§ 1026.20(e))

For loans subject to the **Escrow Closing Notice** requirement, the creditor or servicer must provide consumers with a notice no later than **three business days before** the consumer's escrow account is canceled. (§ 1026.20(e)(5))

16.3 What transactions are subject to the Escrow Closing Notice requirement?

The **Escrow Closing Notice** must be provided prior to cancelling an escrow account to any consumers for whom an escrow account was established in connection with a closed-end consumer credit transaction secured by a first lien on real property or a dwelling, except for reverse mortgages. (§ 1026.20(e)(1))

There are two exceptions to the requirement to provide the notice:

- Creditors and servicers are not required to provide the notice if the escrow account that is being cancelled was established solely in connection with the consumer's delinquency or default on the underlying debt obligation. (Comment 20(e)(1)-2)
- Creditors and servicers are not required to provide the notice when the underlying debt obligation for which an escrow account was established is terminated, including by repayment, refinancing, rescission, and foreclosure. (Comment 20(e)(1)-3)

For purposes of this requirement, the term **escrow account** has the same meaning given to it as under Regulation X, 12 CFR § 1024.17(b), and the term **servicer** has the same meaning given to it as under Regulation X, 12 CFR § 1024.2(b).

16.4 What information must be on the Escrow Closing Notice? (§ 1026.20(e)(1))

Creditors and servicers must disclose certain information on the **Escrow Closing Notice** and may optionally disclose certain additional information. (§ 1026.20(e)(1))

The creditor or servicer must disclose (§ 1026.20(e)(2)):

- The date on which the account will be closed;
- That an escrow account may also be called an impound or trust account;
- The reason why the escrow account will be closed;
- That without an escrow account, the consumer must pay all property costs, such as taxes and homeowner's insurance, directly, possibly in one or two large payments a year;
- A table, titled "**Cost to you**," that contains an itemization of the amount of any fee the creditor or servicer imposes on the consumer in connection with the closure of the consumer's escrow account, labeled "**Escrow Closing Fee**," and a statement that the fee is for closing the escrow account;
- Under the reference "**In the future**":

- The consequences if the consumer fails to pay property costs, including the actions that a state or local government may take if property taxes are not paid and the actions the creditor or servicer may take if the consumer does not pay some or all property costs;
- A telephone number that the consumer can use to request additional information about the cancellation of the escrow account;
- Whether the creditor or servicer offers the option of keeping the escrow account open and, as applicable, a telephone number the consumer can use to request that the account be kept open; and
- Whether there is a cut-off date by which the consumer can request that the account be kept open.

The creditor or servicer may also, at its option, disclose (§ 1026.20(e)(3)):

- The creditor or servicer's name or logo;
- The consumer's name, phone number, mailing address and property address;
- The issue date of the notice; or
- The loan number, or the consumer's account number.

In addition, the disclosures must:

- Contain a required heading that is more conspicuous than and precedes the required disclosures discussed above. (§ 1026.20(e)(4))
- Be clear and conspicuous. This standard generally requires that the disclosures in the **Escrow Closing Notice** be in a reasonably understandable form and readily noticeable to the consumer. (Comment 20(e)(2)-1)
- Be written in 10-point font, at a minimum. (§ 1026.20(e)(4))
- Be grouped together on the front side of a one-page document. The disclosures must be separate from all other materials, with the headings, content, order and format substantially similar to model form H-29 in appendix H to Regulation Z. (§ 1026.20(e)(4))

16.5 When must the creditor send the Escrow Closing Notice before the escrow account is closed?

When the consumer requests cancellation. The creditor or servicer must ensure that the consumer receives the **Escrow Closing Notice** no later than **three business days** before the consumer's escrow account is closed. (§ 1026.20(e)(5)(i))

Cancellation for any other reason. The creditor or servicer must ensure that the consumer receives the **Escrow Closing Notice** no later than **30 business days** before consumer's escrow account is closed. (§ 1026.20(e)(5)(ii))

Mailbox rule applies. If the notice is not provided to the consumer in person, the consumer is considered to have received the disclosures **three business days** after they are delivered or placed in the mail. (§ 1026.20(e)(5)(iii))

□ **Business day** is given the meaning it has for purposes of providing the **Closing Disclosure**—i.e., all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year's Day, the Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day. (See §§ 1026.2(a)(6), 1026.19(f)(1)(ii)(A) and (f)(1)(iii))

16.6 What does the rule on disclosing partial payment policies in mortgage transfer notices require? (§ 1026.39(a) and (d))

If you are required by existing Regulation Z to provide mortgage transfer notices when the ownership of a mortgage loan is being transferred, you must include in the notice information related to the partial payment policy that will apply to the mortgage loan.

This post-consummation **partial payment disclosure** is required for a closed-end consumer credit transaction secured by a dwelling or real property, other than a reverse mortgage.

16.7 What information must be included in the partial payment disclosure and what must the disclosure look like? (§ 1026.39(d)(5))

The **partial payment disclosure** must include:

- The heading “**Partial Payment**” over all of the following, additional information:
 - If periodic payments that are less than the full amount due are accepted, a statement that the covered person, using the term “**lender**,” may accept partial payments and apply such payments to the consumer’s loan;
 - If periodic payments that are less than the full amount due are accepted but not applied to a consumer’s loan until the consumer pays the remainder of the full amount due, a statement that the covered person, using the term “**lender**,” may hold partial payments in a separate account until the consumer pays the remainder of the payment and then apply the full periodic payment to the consumer’s loan;
 - If periodic payments that are less than the full amount due are not accepted, a statement that the covered person, using the term “**lender**,” does not accept any partial payments; and
 - A statement that, if the loan is sold, the new covered person, using the term “**lender**,” may have a different policy.

You may use the format of the partial payment disclosure illustrated by form H-25 of appendix H to Regulation Z. The text illustrating the disclosure in form H-25 may be modified by you to suit the format of the mortgage transfer notice. (See Comment 39(d)(5)-1)

17. Practical implementation and compliance issues

You should consult with legal counsel or your compliance officer to understand your obligations under the TILA-RESPA Rule and to devise the policies and procedures you will need to have in place to comply with the TILA-RESPA Rule's requirements.

When mapping out your compliance plan, in addition to understanding your obligations under the TILA-RESPA Rule, you should consider practical implementation issues. Your implementation and compliance plan may include the following elements as described below in sections 17.1 through 17.4.

17.1 Identifying affected products, departments, and staff

How you comply with the TILA-RESPA Rule may depend on your business model. You may find it useful to identify all affected products, departments, and staff.

Origination, processing, closing and post-closing departmental staff and processes are likely to be most broadly impacted by the TILA-RESPA Rule. However, certain groups within servicing operations may be implicated by the two new disclosures related to escrow account cancellation and partial payment application policies during servicing transfers.

Also, you may originate certain products for which the separate RESPA and TILA disclosure regime (*i.e.*, GFE, HUD-1, and the Truth-in-Lending forms) will persist following the TILA-RESPA Rule's effective date. Be certain to closely consider the coverage of the rule to different types of mortgage products.

17.2 Identifying the business-process, operational, and technology changes that will be necessary for compliance

Fully understanding the implications of the TILA-RESPA Rule may involve a review of your existing business processes, as well as the hardware and software that you, your agents, settlement services providers, or other business partners use. Gap analyses may be a helpful output of such a review and can help to inform a robust implementation plan. You should review your technology platforms and determine which version of MISMO is currently supported. The data standards to support the new **Loan Estimate** and **Closing Disclosure** forms will exist in MISMO version 3.3 and later. Also, it is recommended that you evaluate the integrations between your technology platforms and those of your relevant third party service providers, such as document generators and settlement service providers, to determine required updates, as needed.

17.3 Identifying impacts on key service providers or business partners

Third-party updates may be necessary to: update transaction coverage and calculations; obtain required information or verifications; incorporate new disclosures; and to make sure your software, compliance, quality-control, and recordkeeping protocols comply with this rule.

Software providers, or other vendors and business partners, may offer compliance solutions that can assist. These key partners may depend on your business model. For example, smaller banks and credit unions may find it helpful to talk to their correspondent banks, secondary market partners, and technology vendors. All creditors will likely need to carefully coordinate compliance with the network of settlement services providers on whom they rely for closing services. In some cases, you may want to negotiate revised or new contracts with these parties, or seek a different set of services. In addition, creditors should be in close touch with all key business partners and vendors to ensure that their process and technology changes will meet your business and compliance needs and are scheduled to occur on a timeline that supports collaborative compliance efforts. Make sure you understand the extent of the assistance that vendors, settlement services providers and other business partners provide. For example, if vendors provide software that calculates tolerances to determine which cost changes at

settlement require re-disclosure to the consumer, do they guarantee the accuracy of their conclusions?

The Bureau expects supervised banks and nonbanks to have an effective process for managing the risks of service provider relationships. For more information on this, view [CFPB Bulletin 2012-03 - Service Providers](#).

17.4 Identifying training needs

Consider the training that will be necessary for your loan officer, processor, closing, compliance, and quality-control staff, as well as anyone else who accepts applications, processes loans, or monitors transaction compliance. Training may also be required for other individuals that you, your agents, or your business partners employ.

18. Where can I find a copy of the TILA-RESPA Rule and get more information about it?

You will find the **TILA-RESPA Rule** on the Bureau's website at

www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/tila-respa-disclosure-rule/.

In addition to a complete copy of the TILA-RESPA Rule, that web page also contains:

- The preamble, which explains why the Bureau issued the rule, the legal authority and reasoning behind the rule, responses to comments, and analysis of the benefits, costs, and impacts of the rule;
- Official Interpretations of the rule;
- The **TILA-RESPA Guide to Forms**; and
- Other implementation support materials (including proposed rule amendments, if applicable).

Useful resources related to mortgage rule implementation are also available at

www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/.

For email updates about when additional TILA-RESPA Rule or other mortgage rule implementation resources become available, please submit your email address within the “Email updates about mortgage rule implementation” box [here](#).