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TILA-RESPA Integrated Disclosures for Construction Loans

Guide for separate construction and permanent phase disclosures

Consumer Financial Protection Bureau

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
December 2019	1.0	Original Document

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Introduction

This Guide and the TILA-RESPA Integrated Disclosures: Combined Construction Loan Disclosure Guide (Companion Guide) work with other general TRID resources, including the TILA-RESPA Integrated Disclosure Small Entity Compliance Guide (TRID Small Entity Compliance Guide) and the TILA-RESPA Integrated Disclosure Guide to the Loan Estimate and Closing Disclosure Forms (TRID Guide to Forms), to review how to provide particular disclosures on the TRID forms for construction-only and construction-permanent loans.

Both construction-only loans (i.e., usually shorter term loans with several fund disbursements where the consumer pays only accrued interest until construction is completed) and also construction-permanent loans (i.e., construction loans that convert to permanent financing once construction is completed in which the loan amount is amortized just as in a standard mortgage transaction) can be covered by the TILA-RESPA Rule (TRID Rule) if the general TRID coverage requirements are met. Comment 17(c)(6)-2. Additionally, both initial construction and subsequent construction can be covered by the TRID Rule. Comment 17(c)(6)-2.

The Construction Guides are not a complete review of the TRID Rule, but instead highlight particular sections of the disclosures based on the questions received by the Bureau. At the end of this Guide, there is more information about the TRID Rule and related implementation support from the Bureau that can support any of the other pieces not addressed by these guides.

This Guide pertains to compliance with the TRID 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 TRID Rule on the subject being discussed. Keep in mind that the Official Interpretations, which provide detailed explanations of many of the TRID 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.

About construction loan disclosures

There are two concepts that impact how the TRID Rule applies to construction loans. As discussed in the remainder of this Guide, each of the concepts below will impact how a creditor discloses a construction loan under the TRID Rule. The first is whether the creditor choses to use separate disclosures, as discussed in this Guide, or combined disclosures, as discussed in the Companion Guide. The second is whether the creditor chooses to use Appendix D to Regulation Z to estimate certain disclosures.

Below is a discussion of these disclosure options to provide background before reviewing how they impact the TRID disclosures in the rest of this Guide and the Companion Guide.

Using separate or combined disclosures

Under Regulation Z, 12 CFR § 1026.17(c)(6)(ii), a creditor may treat a construction-permanent loan as either one, combined transaction or as two or more separate transactions.

If the creditor treats the loan as one, combined transaction, the creditor discloses both the construction and the permanent financing combined on each disclosure. If the creditor treats the loan as separate transactions, it provides a separate set of disclosures for each phase of the construction-permanent loan.

Further, § 1026.17(c)(6)(i) permits the creditor to disclose a multiple-advance construction phase as one transaction, or as a separate transaction for each advance in the construction phase.

Applying all of these concepts together, as stated in Comment 17(c)(6)-3 to the TRID Rule, a creditor has the option to disclose a multiple-advance construction-permanent loan with:

- One, combined Loan Estimate and one, combined Closing Disclosure; or
- Two or more Loan Estimates for each phase and two or more Closing Disclosures for each phase (for example, one set for the construction financing as a whole and one set for the permanent financing).

The ability to separate these transactions into two or more disclosures under § 1026.17(c)(6) is available regardless of whether the consumer initially applies for construction-only or both construction and permanent financing at application. But note that if the creditor receives a consumer's application (i.e., the six pieces of information identified in § 1026.2(a)(3)) for *both* the construction financing and the permanent financing, disclosures for both phases must be given within the timing provided in § 1026.19(e) and (f). Comment 19(e)(1)(iii)-5.

This Guide focuses on disclosing with separate sets of disclosures. Information on disclosing with one, combined Loan Estimate and one, combined Closing Disclosure is available in the Companion Guide.

How to estimate disclosures for construction loans

Creditors must first estimate disclosures based on the best information reasonably available when the actual term is unknown to the creditor at the time disclosures are made. This applies to any loan covered by TRID, including construction and construction-permanent loans. Comments 19(e)(1)(i)-1 and 19(f)(1)(i)-2.

However, as an alternative for construction and construction-permanent loans, the creditor may use estimation methods identified in Appendix D to Regulation Z to estimate disclosures for the construction phase. Appendix D can be used in both separate and combined disclosures for construction and construction-permanent loans.

For certain construction or construction-permanent loans, the creditor knows the disbursement schedule for the construction loan, and must base disclosures on the timing and amount of these disbursements. However, in many construction or construction-permanent loans that schedule is unknown, resulting in the loan balance and the payment due on a particular date being unknown. Because of this, some disclosures require estimation.

In the case of an unknown schedule of advances, the creditor may estimate a schedule as well as the outstanding loan balance, interest, and periodic payments, all based on the best information reasonably available at the time of the disclosure and provide those disclosures accordingly.

Alternatively, the creditor may use the calculation methods in Appendix D to estimate interest on the loan, which is then used to estimate the other disclosures on the Loan Estimate and Closing Disclosure, such as the finance charge and the periodic payment.

Using Appendix D to estimate disclosures

Appendix D is divided into two parts:

- **Part I for separate disclosures.** This part may be used for construction-only loans and for construction-permanent loans where the creditor discloses each phase separately.
- **Part II for combined disclosures.** This part may be used for construction-permanent loans where the creditor chooses to provide combined disclosures.

For both parts of Appendix D there are two methods for estimating interest on the loan. The methods are based on how the creditor is calculating interest:

	INTEREST ON THE AMOUNT ADVANCED	OR	INTEREST ON THE ENTIRE COMMITMENT
Method:	The creditor assumes ½ the commitment amount is outstanding for the entire construction period and multiplies that amount by the applicable contract interest rate.		The creditor can calculate the amount of interest payable during the construction phase by multiplying the entire commitment amount by the applicable contract interest rate for the construction phase.

	The calculation of the construction financing periodic payments using the assumptions in Appendix D produces interest-only periodic payments that are equal in amount for a given interest rate.	The calculation of the construction financing periodic payments using the assumptions in Appendix D produces interest-only periodic payments that are equal in amount for a given interest rate.
When to use:	This approach is permissible if interest is payable only on the advanced amount for the time it is outstanding during the construction phase. It allows creditors to estimate the amount of interest payable during the construction phase.	This approach is permissible if interest is payable on the entire commitment amount without regard to the dates or amounts of actual disbursements.
Citation:	Appendix D, part I.A.1, Example A at the end of Part I of Appendix D, part II.A.1, and Comment App. D-7.iv.A.	Appendix D, part I.B.1, Example B at the end of Part I of Appendix D, and part II.A.2.

Example

Loan Commitment Amount: $50,000

Interest Rate: 10.5%

Construction Phase: 5 months

Periodic Payment Frequency: Monthly

INTEREST ON THE AMOUNT ADVANCED	INTEREST ON THE ENTIRE COMMITMENT

Assuming **$25,000** outstanding for the entire construction phase (i.e., ½ the commitment amount), the monthly and total interest for the construction phase is **$218.75** and **$1,093.75**, respectively, if, based on the best information reasonably available at the time of the disclosure, interest will be determined by dividing the interest rate by 12.	Assuming **$50,000** outstanding for the entire construction phase (i.e., the entire commitment amount) the monthly and total interest for the construction phase is **$437.50** and **$2,187.50**, respectively, if, based on the best information reasonably available at the time of the disclosure, interest will be determined by dividing the interest rate by 12.

Ultimately, Appendix D provides an estimated interest amount, which can then be used to estimate the periodic payment. Note that the creditor may be required to do different or further calculations depending on the basis on which interest is determined (e.g., daily, weekly, every two weeks) or if the periodic payment is not interest-only.

Estimating other disclosures

Using the interest payment amount estimated with Appendix D, Appendix D and its commentary also provides methods for how the creditor is permitted to estimate:

- The APR;
- The Total of Payments; and
- The Amount Financed for purposes of the disclosures.

Additionally, the commentary to Appendix D provides additional details on how to complete TRID disclosures for construction and construction-permanent loans. These disclosures include:

- The Loan Term;
- The Loan Product;

- The Interest Rate; and
- The Projected Payments Table.

The added Appendix D commentary also provides additional details on how to comply with the TRID Rule for issues specific to construction financing, such as disclosing increases in the periodic payment when using the Appendix D methods of calculation for disclosures, or where to disclose construction costs and inspection and handling fees (including draw fees) for the construction loan disbursements. Comment App. D-7.

Completing construction loan disclosures

Using the concepts discussed above, a creditor can apply the TRID Rule to construction and construction-permanent loans.

The remainder of this Guide provides elaboration on applying those concepts and the TRID Rule to separate construction-only and construction-permanent loan disclosures. It does not cover the entirety of the Loan Estimate or Closing Disclosure. Instead, it provides an overview of select disclosures based on the common questions received by the Bureau pertaining to the:

1. Loan Terms Table
2. Projected Payments Table
3. Loan Costs Table
4. Adjustable Payments Table

1. Loan Terms Table

The Loan Terms Table includes information about the Loan Amount, Interest Rate, Periodic Principal & Interest Payment, Prepayment Penalty, and Balloon Payment. 12 CFR § 1026.37(b). The following focuses on the Interest Rate and Periodic Principal & Interest Payment disclosures, the most common questions received by the Bureau.

For more information on the Loan Terms Table disclosures, see section 2.2.2 of the Guide to Forms.

Interest Rate Disclosure

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

Loan Terms		**Can this amount increase after closing?**
Loan Amount	$211,000	NO
Interest Rate	4%	**YES** • Adjusts **every 3 years** starting in year 6 • Can go **as high as 12%** in year 15 • See **AIR Table on page 2** for details
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$703.33	YES • Adjusts **every 3 years** starting in year 6 • Can go **as high as $2,068** in year 15 • Includes **only interest** and **no principal** until year 6 • See **AP Table on page 2** for details
		Does the loan have these features?
Prepayment Penalty		NO
Balloon Payment		NO

1 Initial Interest Rate

Regulation Z, 12 CFR § 1026.37(b)(2) requires the creditor to disclose the interest rate that will be applicable at consummation.

Construction Phase

The interest rate is the interest rate applicable to the construction financing at consummation. 12 CFR § 1026.37(b)(2); Comment App. D-7.iii.

Permanent Phase

The interest rate is the interest rate applicable to the permanent financing at consummation. 12 CFR § 1026.37(b)(2); Comment App. D-7.iii. If the permanent phase rate is unknown at consummation, Comment App. D-7.iii allows the creditor to disclose the fully-indexed rate pursuant to the legal obligation.

For purposes of this permanent phase disclosure, the fully-indexed rate means the interest rate calculated using the index and margin at the time of consummation. 12 CFR § 1026.37(b)(2); Comment App. D-7.iii.

Example

For example, if the permanent phase has a fixed rate that will not be set until the construction phase converts to the permanent phase, Comment App. D-7.iii allows the creditor to disclose the fully-indexed rate pursuant to § 1026.37(b)(2) and its commentary.

Note that the index and margin are components of the formula that computes the interest rate as disclosed at or before consummation and will be, based on the best information reasonably available at the time of the disclosure, used at conversion to determine the rate.

For example, the formula used at conversion for a fixed rate loan may be based on the Fannie Mae required net yield.

2 Increase

The creditor is also required to disclose whether or not the interest rate may increase after consummation under the terms of the loan. 12 CFR § 1026.37(b)(6). A creditor must make this disclosure based on the terms of the legal obligation, and if any information necessary for an accurate disclosure is unknown to the creditor, the creditor must make the disclosure in good faith, based on the best information reasonably available to the creditor. Comments 37-1 and 38-1. A creditor may assume that the consumer will abide by the terms of the legal obligation throughout the term of the transaction. Comment 17(c)(1)-1.

Construction Phase

A "YES" or "NO" disclosure is provided depending on whether the construction phase interest rate may increase after consummation of and during *the construction phase*. 12 CFR § 1026.37(b)(6).

A "NO" disclosure is required if the interest rate cannot increase after consummation under the terms of the legal obligation during the construction phase. 12 CFR § 1026.37(b)(6).

A "YES" disclosure is required if there is a possibility under the terms of the legal obligation that the interest rate may increase during the construction phase. 12 CFR § 1026.37(b)(6).

Permanent Phase

A "YES" or "NO" disclosure is provided depending on whether the permanent phase interest rate may increase after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6). This would be irrespective of changes to the construction interest rate.

A "NO" disclosure is required if the interest rate cannot increase after consummation under the terms of the legal obligation during the permanent phase. 12 CFR § 1026.37(b)(6).

A "YES" disclosure is required if there is a possibility under the terms of the legal obligation that the interest rate may increase during the permanent phase. 12 CFR § 1026.37(b)(6).

The permanent phase interest rate disclosed at or before consummation may increase after consummation of the permanent phase if, for example, the permanent phase is an adjustable or step rate loan without caps to prevent it from increasing beyond the permanent phase interest rate disclosed at or before consummation.

Example

For example, the construction and permanent phases are consummated simultaneously and the interest rate for the permanent phase is an unknown, fixed rate at consummation that will not be set until the construction phase converts to the permanent phase, without caps to prevent it from increasing beyond the permanent phase interest rate disclosed at or before consummation.

In this example, the creditor also discloses “YES.” This is disclosed because, even though the fixed rate will not change once set, the interest rate may increase after consummation given it is not set until conversion and in this scenario there are no methods to prevent a rate higher than the permanent phase interest rate disclosed at or before consummation.

Bullets

In addition to disclosing whether the interest rate may increase after consummation of the construction or permanent phase, if the interest rate may increase additional bullet disclosures are required and must include:

- The frequency of adjustments and timing of the first adjustment;
- The maximum interest rate and when this may occur;
- A reference to the Adjustable Interest Rate (AIR) Table; and
- If the loan term may also increase based on the interest rate adjustments, a fourth bullet is required disclosing that fact and the maximum possible loan term.

12 CFR § 1026.37(b)(6)(ii).

The following sections discuss the first and second bullet points in this list.

3 Adjustment Frequency and Timing

If the interest rate may increase after consummation for a construction only or construction-permanent loan, the creditor must disclose its frequency of adjustments and timing of the first adjustment in the first bullet for the interest rate disclosure in the Loan Terms Table. 12 CFR § 1026.37(b)(6) and (b)(6)(ii).

For separate disclosures, it is the frequency and timing of the first adjustment in the phase being disclosed. If the interest rate may adjust at multiple intervals, such as multiple interest rate adjustments during the construction phase or at conversion to the permanent phase and also at regularly scheduled rate adjustments in that permanent phase, the creditor is required to disclose only the frequency and timing of the first adjustment in that phase in the first bullet. Comment 37(b)(6)(ii)-2.

Construction Phase

The construction phase disclosure includes the frequency and timing of any interest rate adjustments after consummation of and during *the construction phase*. 12 CFR § 1026.37(b)(6)(ii).

Permanent Phase

The permanent phase disclosure includes the frequency and timing of any interest rate adjustments after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6)(ii). This would be irrespective of changes to the construction interest rate.

EXAMPLE OF A COMPLIANT DISCLOSURE FOR THE ADJUSTMENT FREQUENCY AND TIMING BULLET

For each example, assume:

- **Construction Phase:** The construction phase is 10 months.
- **Consummation Timing:** The loan for the permanent phase (if any) is consummated simultaneously with the loan for the construction phase.

- **Interest Rate Adjustments:** Any interest rate adjustments occur no more frequently than monthly.
- **Interest Rate Caps:** There are no caps that prevent the interest rate from increasing beyond the interest rate disclosed at or before consummation.

LOAN SITUATION	WHEN IT APPLIES	CONSTRUCTION PHASE DISCLOSURE (COMMENT 37(b)(6)(ii)-1; COMMENT 37(b)(6)-1)	PERMANENT PHASE DISCLOSURE (COMMENT 37(b)(6)(ii)-1; COMMENT 37(b)(6)-1)
Unknown fixed permanent phase interest rate	The construction phase has a known fixed rate, the permanent phase interest rate is fixed but unknown until it is identified at conversion to the permanent phase, and the permanent phase interest rate may increase from the interest rate disclosed at or before consummation.	*Nothing* for a separate construction phase disclosure because the known fixed construction phase interest rate cannot increase from the rate disclosed at or before consummation.	"Adjusts once starting in mo. 1"
Adjustable rate construction phase	The construction phase has an adjustable rate that may increase after consummation and adjusts monthly beginning in month 1.	"Adjusts every mo. starting in mo. 1"	*Nothing*, so long as the permanent phase interest rate cannot increase from the rate disclosed at or before consummation.
Adjustable rate permanent phase	The construction phase has a fixed rate, but the permanent phase has an adjustable rate that adjusts yearly beginning in the first month of the permanent phase.	*Nothing* for a separate construction phase disclosure because the fixed construction phase interest rate cannot increase from the rate disclosed at or before consummation.	"Adjusts every year starting in mo. 1"

4 Maximum Interest Rate and Timing

If the interest rate may increase after consummation of a construction or construction-permanent loan, in the second bullet for the interest rate disclosure in the Loan Terms Table the creditor must disclose the maximum interest rate and the first date when this maximum interest rate may occur in this bullet. 12 CFR § 1026.37(b)(6)(ii).

For separate disclosures, it is the maximum interest rate that may occur within the phase being disclosed.

Construction Phase

The construction phase disclosure discloses the maximum interest rate that may occur after consummation of and during *the construction phase*, and when that may occur. 12 CFR § 1026.37(b)(6)(ii).

Permanent Phase

The permanent phase disclosure discloses the maximum interest rate that may occur after consummation of and during *the permanent phase*, and when that may occur. 12 CFR § 1026.37(b)(6)(ii). This would be irrespective of changes to the construction interest rate.

EXAMPLE OF A COMPLIANT DISCLOSURE FOR MAXIMUM INTEREST RATE AND TIMING BULLET

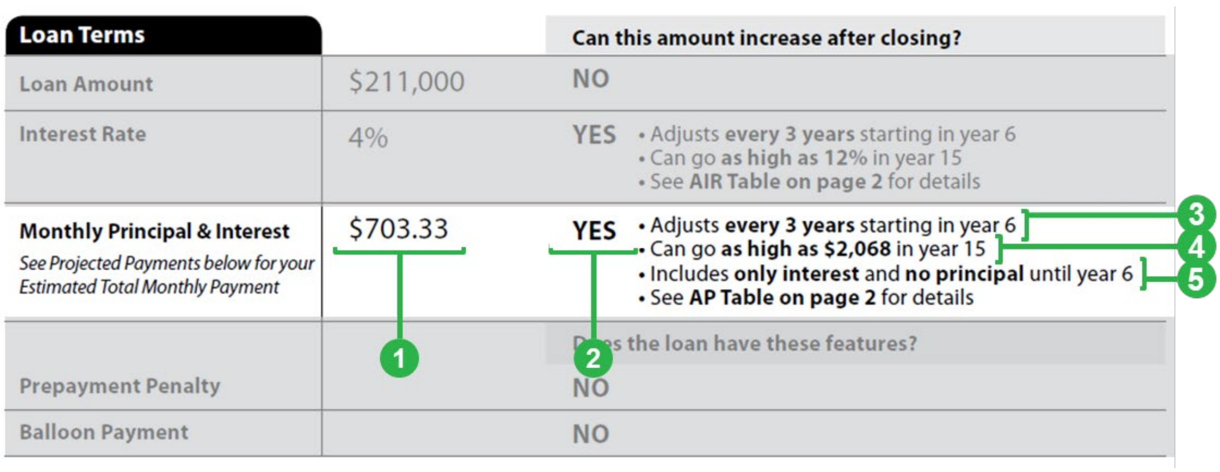
For each example, assume:

- **Construction Phase:** The construction phase is 10 months.
- **Consummation Timing:** The loan for the permanent phase is consummated at the same time as the loan for the construction phase.
- **Interest Rate Adjustments:** Any interest rate adjustments occur no more frequently than monthly.
- **Interest Rate Caps:** The construction phase interest rate has a cap at 8% (or is 8% for fixed rate examples), and the permanent phase (if any) has a cap at 10% (or is 10% for fixed rate examples).

LOAN SITUATION	WHEN IT APPLIES	CONSTRUCTION PHASE DISCLOSURE (COMMENT 37(b)(6)(ii)-1; COMMENT 37(b)(6)-1)	PERMANENT PHASE DISCLOSURE (COMMENT 37(b)(6)(ii)-1; COMMENT 37(b)(6)-1)
Unknown permanent phase interest rate	The permanent phase interest rate is fixed but unknown until it is identified at conversion to the permanent phase, and it may increase from the interest rate disclosed at or before consummation.	*Nothing* for a separate construction phase disclosure, so long as the construction phase interest rate cannot increase from the rate disclosed at or before consummation.	"Can go as high as 10% in mo. 1"
Adjustable rate construction phase	The construction phase has an adjustable rate that may increase after consummation and adjusts monthly beginning in month 1.	"Can go as high as 8% in mo. 1"	*Nothing* for a separate permanent phase disclosure, so long as the permanent phase interest rate cannot increase from the rate disclosed at or before consummation.
Adjustable rate permanent phase	The construction phase has a fixed rate, but the permanent phase has an adjustable rate that adjusts yearly beginning in the first month of the permanent phase.	*Nothing* for a separate construction phase disclosure because the fixed construction phase interest rate cannot increase from the rate disclosed at or before consummation.	"Can go as high as 10% in mo. 1"

Periodic Principal and Interest Payment Disclosure

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



Loan Terms		Can this amount increase after closing?
Loan Amount	$211,000	NO
Interest Rate	4%	YES • Adjusts **every 3 years** starting in year 6 • Can go **as high as 12%** in year 15 • See **AIR Table on page 2** for details
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$703.33	**YES** • Adjusts **every 3 years** starting in year 6 • Can go **as high as $2,068** in year 15 • Includes **only interest** and **no principal** until year 6 • See **AP Table on page 2** for details
		Does the loan have these features?
Prepayment Penalty		NO
Balloon Payment		NO

1 Initial Periodic Principal and Interest Payment

Section 1026.37(b)(3) requires the creditor to disclose the initial periodic principal and interest payment that will be due under the terms of the legal obligation.

Construction Phase

The periodic payment is the amount due in the first periodic payment for the construction phase. If this amount is unknown, the creditor may estimate the amount based on the best information reasonably available to the creditor or use Appendix D to estimate the periodic payment. 12 CFR § 1026.37(b)(3); Appendix D.

Permanent Phase

The disclosed permanent phase periodic payment is the amount determined in accordance with the permanent phase contract. If the periodic payment is unknown at the time of the disclosure because, for example, the permanent phase is consummated simultaneously with the construction phase and the permanent phase interest rate will remain unknown until conversion to the permanent phase, the periodic principal and interest disclosure is based on the fully-indexed interest rate at the time of consummation. 12 CFR § 1026.37(b)(3).

Note

For purposes of this disclosure, the fully-indexed rate means the interest rate calculated using the index and margin at the time of consummation. 12 CFR § 1026.37(b)(2) and (3).

Note that the index and margin are components of a formula that establishes the interest rate disclosed at or before consummation and will be, based on the best information reasonably available at the time of the disclosure, used at conversion to determine the rate.

For example, the formula used at conversion for a fixed rate loan may be based on the Fannie Mae required net yield.

2 Increase

The creditor is also required to disclose a "YES" or a "NO" for whether the payment may increase after consummation under the terms of the loan. 12 CFR § 1026.37(b)(6).

A creditor complies by disclosing based on the terms of the legal obligation and may assume that the consumer will abide by the terms of the legal obligation throughout the term of the transaction. Comment 17(c)(1)-1.

Construction Phase

A “YES” or “NO” disclosure is provided depending on whether the periodic payment may increase after consummation and during *the construction phase*. 12 CFR § 1026.37(b)(6).

A “NO” disclosure is required if the payment cannot increase after consummation under the terms of the legal obligation during the construction phase. 12 CFR § 1026.37(b)(6).

A “YES” disclosure is required if under the terms of the legal obligation the payment amount may increase after consummation during the construction phase. 12 CFR § 1026.37(b)(6).

Unless the creditor knows under the terms of the legal obligation that the payments cannot increase after consummation, the creditor must disclose “YES” even if, for example, the creditor is estimating payments that are equal in amount using Appendix D. Comment App. D-7.iv.

Permanent Phase

A “YES” or “NO” disclosure is provided depending on whether the permanent phase periodic payment may increase after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6). This would be irrespective of changes to the construction periodic payment.

A “NO” disclosure is required if the payment cannot increase after consummation under the terms of the legal obligation during the permanent phase. 12 CFR § 1026.37(b)(6).

A “YES” disclosure is required if the payment may increase after consummation under the terms of the legal obligation during the permanent phase. 12 CFR § 1026.37(b)(6).

Example

For example, if the permanent phase is consummated simultaneously with the construction phase and the permanent phase has a fixed rate that will not be set until the construction phase converts to the permanent phase, a creditor discloses “YES” if the interest rate could cause the periodic payment to increase beyond the permanent phase periodic payment disclosed at or before consummation.

Bullets

If under the terms of the legal obligation the payment amount may increase after consummation, § 1026.37(b)(6)(iii) requires several bulleted disclosures with the initial periodic principal and interest payment disclosure including:

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

Example

If any of the adjustments to the periodic payment are not wholly due to interest rate changes, the creditor includes a reference to the Adjustable Payments Table.

For example, if interest is payable only on the amount advanced for the time it is outstanding, a reference is required because it is the amount advanced, not the interest rate or not only the interest rate, that causes the periodic payment adjustment.

The construction phase disclosure includes the additional bullet disclosures if the construction phase periodic payment may increase after consummation and during *the construction phase.* 12 CFR § 1026.37(b)(6)(iii).

The permanent phase disclosure includes the additional bullet disclosures if the permanent phase periodic payment may increase after consummation of *the permanent phase.* 12 CFR § 1026.37(b)(6)(iii). This would be irrespective of changes to the construction periodic payment.

Below is a discussion of the first, second, and third bullet points in this list.

3 Adjustment Frequency and Timing

If the periodic payment may increase after consummation, Regulation Z, 12 CFR § 1026.37(b)(6)(iii) requires disclosure of the frequency of adjustments and timing of the first payment adjustment.

For the separate construction phase disclosure, in determining the frequency of adjustments and timing of the first periodic payment adjustment as required by the regulation, a creditor may want to consider:

- Whether the interest is accrued on the amount advanced or the entire commitment, as this may impact whether draws will change the consumer's periodic payment;
- Whether there are any changes between interest-only, partially amortizing, or fully amortizing periodic payments;
- When the legal obligation allows the consumer to make the first and subsequent draws, as this may impact when the consumer's payment will adjust and the frequency of that adjustment if a periodic payment adjustment may occur as a result of a draw; and
- When the interest rate may first and subsequently adjust.

Construction Phase

The construction phase disclosure includes the frequency of adjustments and timing of the first payment adjustment after consummation and during *the construction phase*. 12 CFR § 1026.37(b)(6)(iii).

For a separate construction phase disclosure, if the creditor is using Appendix D's method of estimation based on interest payable only on the amount advanced, then the creditor has optionality as to whether it uses months or years for the disclosures under § 1026.37(b)(6)(iii). Comment App. D-7.iv.B. If that method is not used, Comment 37(b)(6)-1 provides guidance on the use of months or years.

Permanent Phase

The separate permanent phase disclosure includes the frequency of adjustments and timing of the first payment adjustment is based on the adjustments (if any) that occur after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6)(iii). This would be irrespective of changes to the construction periodic payment.

> ### Example
>
> For example, consider a construction-permanent loan where the permanent phase, consummated simultaneously with the construction phase, has a fixed interest rate that is unknown at consummation and remains unknown until conversion to the permanent phase. If this rate adjustment at conversion may result in an increased periodic payment from the amount disclosed at or before consummation, then the bullet disclosing the frequency of adjustments and timing of the first payment adjustment is required.
>
> In such a case, assuming no other payment adjustments, the adjustment from the payment disclosed at consummation to the payment upon conversion to the permanent phase is the basis for the frequency and timing used for the disclosure.

EXAMPLE OF A COMPLIANT DISCLOSURE FOR ADJUSTMENT FREQUENCY AND TIMING BULLET

For each example, assume:

- **Construction Phase:** The construction phase is 10 months.
- **Consummation Timing:** The construction phase loan and permanent phase loan are consummated simultaneously.
- **Periodic Payments Frequency:** Any periodic payments are on a monthly basis.
- **Rate Type:** Fixed rate for both phases.
- **Interest-Only Period:** Interest-only loan during the construction phase.

- **Construction Loan Draws:** The contract permits draws in each month (including immediately after consummation).

LOAN SITUATION	WHEN IT APPLIES	CONSTRUCTION PHASE DISCLOSURE (COMMENT App. D-7.iv.B; COMMENT 37(b)(6)-1)	PERMANENT PHASE DISCLOSURE (COMMENT 37(b)(6)-1)
Estimated construction periodic payment	The interest is based only on the amount advanced and the construction phase periodic payments are estimated using Appendix D because the actual schedule of advances is not known at or before consummation.	"Adjusts every mo. starting in mo. 1" or "Adjusts every mo. starting in year 1"	*Nothing* for a separate permanent phase disclosure, so long as the permanent phase periodic payment cannot increase from the amount disclosed at or before consummation.
Unknown fixed permanent phase interest rate	The fixed interest rate for the permanent phase is unknown at consummation, and during the construction phase interest is accrued on the entire commitment and periodic payments are known, fixed, and equal in amount.	*Nothing* for a construction phase disclosure because the known fixed construction phase periodic payment cannot increase from the payment disclosed at or before consummation.	"Adjusts once starting in mo. 1" for a permanent phase disclosure *if* the permanent phase periodic payment may increase from the amount disclosed at consummation.

4 Maximum Payment and Timing

If the periodic payment may increase after consummation of a construction or a construction-permanent loan, Regulation Z, 12 CFR § 1026.37(b)(6)(iii) requires disclosure of the amount of the maximum periodic payment and the date when the periodic payment may first equal the maximum.

Construction Phase

The construction phase disclosure includes the amount of the maximum periodic payment and the date when the periodic payment may first equal the maximum after consummation and during *the construction phase*. 12 CFR § 1026.37(b)(6)(iii).

The calculation of the maximum payment amount is based on the maximum possible principal balance that could be outstanding during the construction phase. Comment App. D-7.iv.

In determining the maximum payment as required by the regulation, a creditor may want to consider:

- Whether interest is accrued on the amount advanced or the entire commitment amount, as this may impact whether draws will impact when the consumer may reach the maximum periodic payment;
- Whether there are any changes between interest-only, partially amortizing, or fully amortizing periodic payments;
- When the legal obligation allows the consumer to make draws, as this may impact when it is possible for the consumer to potentially reach the maximum periodic payment;
- What, if any, limitations the legal obligation has on when the consumer may draw the full commitment amount, as this may impact when it is possible for the consumer to potentially reach the maximum periodic payment; and
- What, if any, limitations the legal obligation has on when the interest rate in the construction phase may reach the maximum rate, as this may impact when it is possible for the consumer to potentially reach the maximum periodic payment even if the consumer is able to draw the full amount in the first month.

For a separate construction phase disclosures, if the creditor is using Appendix D's method of estimation based on interest payable only on the amount advanced for the time it is outstanding, then the creditor has optionality as to whether it uses months or years for the disclosures under § 1026.37(b)(6)(iii). Comment App. D-7.iv.B. If that method is not used, Comment 37(b)(6)-1 provides guidance on the use of months or years.

Permanent Phase

The separate permanent phase disclosure includes the amount of the maximum periodic payment and the date when the periodic payment may first equal the maximum after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6)(iii). This would be irrespective of changes to the construction periodic payment.

The amount and timing of the maximum periodic payment is based on the maximum payment that may occur during the permanent phase, which may be impacted, for example, by an unknown permanent phase interest rate at consummation. In this case, the periodic payment may first equal the maximum as early as the first month if the interest rate set upon conversion is the only change impacting the maximum payment.

EXAMPLE OF A COMPLIANT DISCLOSURE FOR THE MAXIMUM PAYMENT AND TIMING BULLET

- **Construction Phase:** The construction phase is 10 months.
- **Consummation Timing:** The construction and permanent phase loans are consummated simultaneously.
- **Interest Rate:** The construction phase interest rate is fixed at 8% and the permanent phase interest rate has a cap at 8% (or is fixed at 8% for the known periodic payments example).
- **Interest-Only Period:** The construction phase is an interest-only loan.
- **Construction Phase Draws:** The consumer may draw monthly but may not draw the entire commitment until month 9.

LOAN SITUATION	WHEN IT APPLIES	CONSTRUCTION PHASE DISCLOSURE (COMMENT App. D-7.iv; COMMENT 37(b)(6)(iii)-1; COMMENT 37(b)(6)-1)	PERMANENT PHASE DISCLOSURE (COMMENT 37(b)(6)(iii)-1; COMMENT 37(b)(6)-1)
Estimated construction periodic payment	The interest is based only on the amount advanced and the construction phase periodic payments are estimated using Appendix D because the actual	"Can go as high as [maximum possible interest-only periodic payment based on entire commitment amount and the 8% construction	*Nothing* for a separate permanent phase disclosure, so long as the permanent phase periodic payment cannot increase from the

	schedule of advances is not known at or before consummation.	phase interest rate] in mo. 9” or “Can go as high as [maximum possible interest-only periodic payment based on entire commitment amount and the 8% construction phase interest rate] in year 1”	amount disclosed at or before consummation.
Unknown fixed permanent phase interest rate	The fixed interest rate for the permanent phase is unknown at consummation and may increase from the rate disclosed at consummation, resulting in the possibility of the periodic payment increasing from the amount disclosed at consummation, and during the construction phase interest is accrued on the entire commitment and periodic payments are known, fixed, and equal in amount.	*Nothing* for a separate construction phase disclosure because the known fixed construction phase periodic payment cannot increase from the payment disclosed at or before consummation.	“Can go as high as [maximum possible fully-amortizing periodic principal and interest payment based on 8% maximum permanent phase interest rate] in mo. 1”

5 Interest-Only Period

If the periodic payment may increase after consummation and there is a period during which only interest is required to be paid, Regulation Z, 12 CFR § 1026.37(b)(6)(iii) requires disclosure of when the interest-only period will end in the Loan Terms Table.

For a separate disclosure, the timing of the end of the interest-only period is the due date of the last interest-only periodic payment the consumer will make before switching to principal and interest payments.

Construction Phase

If the construction phase includes an interest-only period, the disclosure includes when the interest-only period will end for any interest-only period after consummation and during *the construction phase*. 12 CFR § 1026.37(b)(6)(iii).

Permanent Phase

If the permanent phase includes an interest-only period, the disclosure includes when the interest-only period will end for any interest-only period after consummation of *the permanent phase*. 12 CFR § 1026.37(b)(6)(iii). This would be irrespective of changes to the construction interest-only period.

EXAMPLE OF A COMPLIANT DISCLOSURE FOR THE INTEREST-ONLY PERIOD BULLET

- **Construction Phase:** The construction phase is 10 months.
- **Interest Rate Type:** Fixed rate for both phases.
- **Periodic Payments Frequency:** Any periodic payments are on a monthly basis.
- **Interest-Only Period:** The 10-month construction phase and 12 months of the permanent phase at the beginning.

LOAN SITUATION	WHEN IT APPLIES	CONSTRUCTION PHASE DISCLOSURE (COMMENT 37(b)(6)-1; COMMENT 37(b)(6)(iii)-1)	PERMANENT PHASE DISCLOSURE (COMMENT 37(b)(6)-1; COMMENT 37(b)(6)(iii)-1)
Interest-Only Periods in Both Phases	There is an interest-only period in the construction phase and the permanent phase disclosures.	"Includes only interest and no principal until mo. 10" For a separate construction disclosure, the conversion of the construction phase loan balance to the permanent	"Includes only interest and no principal until year 2"

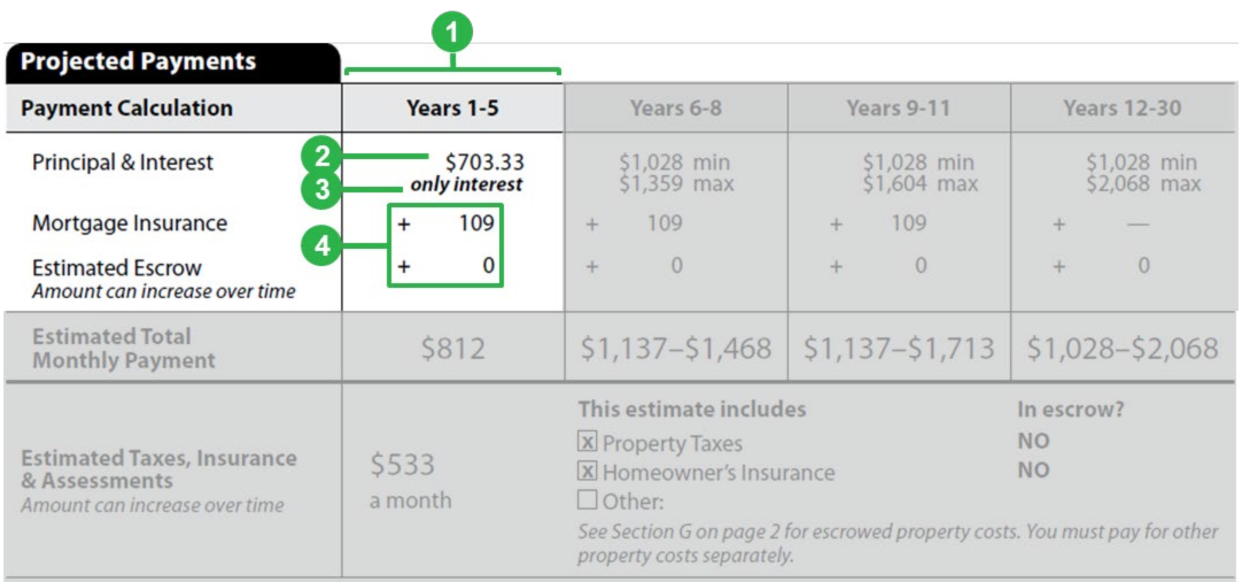
		phase loan balance in month 10 is treated as a balloon payment and not as a periodic interest-only payment.	

2. Projected Payments Table

The Projected Payments Table includes payment information about Principal & Interest, Mortgage Insurance, Estimated Escrow, Estimated Total Monthly Payment, and Estimated Taxes, Insurance & Assessments. 12 CFR § 1026.37(c).

The following focuses on particular topics for the Principal & Interest, Mortgage Insurance, and Estimated Escrow payment disclosures based on the most common questions received by the Bureau.

For more information on the Projected Payments Table disclosures, see section 2.2.3 of the Guide to Forms.



Projected Payments

Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	$703.33 *only interest*	$1,028 min $1,359 max	$1,028 min $1,604 max	$1,028 min $2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow *Amount can increase over time*	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	$812	$1,137–$1,468	$1,137–$1,713	$1,028–$2,068
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$533 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*		**In escrow?** NO NO

1 First Column and Subsequent Columns

Under Regulation Z, 12 CFR § 1026.37(c), a creditor is required to disclose the principal and interest periodic payment or range of payments in the Projected Payments Table. Additionally, multiple columns—up to four—may be required if certain triggering events are met, such as changes in the payment or balloon payments.

Construction Phase

For either a fixed or adjustable rate construction financing disclosure, the first column of the Projected Payments Table must include the payment or range of payments based on known amounts or estimated payments based on the best information reasonably available or using the options in Appendix D.

Example

For example, if using Appendix D part I.A.1 (with interest payable only on the amount actually advanced for the time it is outstanding), the first column of the Projected Payments Table discloses an interest-only payment (if the construction phase rate will not change in the first year) or range of payments (if the construction phase rate may change in the first year), calculated by assuming that one-half of the commitment amount is outstanding at the contract interest rate (or range of rates) for the entire construction period. Comment App. D-7.v.A.

Additional columns may be required if the triggering events in Regulation Z, 12 CFR § 1026.37(c)(1)(i) are met.

Example

For example, if the consumer pays only interest and no principal during the construction phase resulting in a balloon payment, the Projected Payments Table must include a separate column disclosing the balloon payment, or range of balloon payments, as required by § 1026.37(c)(1)(i)(B).

Permanent Phase

The first column discloses the first periodic payment or range of payments for the permanent phase.

Additional column(s) may be required for any of the triggers listed in Regulation Z, 12 CFR § 1026.37(c)(1)(i).

2 Single vs. Range Payment

As stated above, under Regulation Z, 12 CFR § 1026.37(c), a creditor is required to disclose the principal and interest periodic payment(s) in the Projected Payments Table. If one of the triggering events identified in § 1026.37(c)(1)(iii) occurs, a creditor is required to disclose a range of payments instead of a single payment.

Triggering events for a range of payments in the Projected Payments Table include:

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

See 12 CFR § 1026.37(c)(1)(iii).

Construction Phase

In general, if using Appendix D to estimate payments, if there are no interest rate changes, in most cases a single payment is disclosed (and, as discussed above, a separate column disclosing the estimated balloon payment). 12 CFR § 1026.37(c)(1)(i).

For a separate construction phase disclosure, a trigger for a range of payments is periodic payments that may adjust based on an adjustable rate, and as a result any column reflecting an adjustment discloses a range of payments reflecting the lowest and highest periodic payment. 12 CFR § 1026.37(c)(1)(iii)(C).

Example

For example, if the creditor chooses to use Appendix D to estimate the interest-only periodic payment and the construction phase has an adjustable rate, the creditor would apply the minimum and maximum contract interest rate to the methodology in Appendix D to determine the lowest and highest periodic payment. Additionally, the minimum and maximum contract interest rate would be used to estimate the range of the balloon payments disclosed in a separate column as the final payment.

Permanent Phase

For a separate permanent phase disclosure, a range of payments is also required if the periodic payments may adjust based on an adjustable rate. Column(s) disclose a range of payments reflecting the lowest and highest periodic payment. 12 CFR § 1026.37(c)(1)(iii)(C).

Additionally, a trigger specific to construction-permanent loans consummated simultaneously occurs if the permanent phase has periodic payments where the payment information is unknown at consummation because the interest rate is unknown and will be identified at conversion from the construction phase. In these circumstances, the creditor estimates the range of payments (even if the permanent phase interest rate will be fixed once known). 12 CFR § 1026.37(c)(1)(iii)(C).

However, if the permanent phase has a fixed periodic payment that is known at consummation and will not change upon conversion from the construction phase, the Projected Payments Table includes a column disclosing that single periodic payment, not a range of payments. 12 CFR § 1026.37(c)(1)(i).

3 Interest-Only Disclosure

In the Projected Payments Table, if the payment or range of payments includes any payments of interest only, the creditor must disclose the phrase “only interest” under the amount of the payment or range of payments. 12 CFR § 1026.37(c)(2)(i).

Construction Phase

If the construction phase has interest-only payments, a column including any interest-only payment includes the term “only interest” under the payment or range of payments. 12 CFR § 1026.37(c)(2)(i).

Permanent Phase

The creditor discloses “only interest” under the payment or range of payments in a column if it includes any interest-only payment during the permanent phase. 12 CFR § 1026.37(c)(2)(i).

4 Mortgage Insurance and Escrow Payments

If the phase of the construction-permanent loan being disclosed includes mortgage insurance, the creditor must disclose the maximum amount payable as mortgage insurance that corresponds to the principal & interest payment shown in the same column. 12 CFR § 1026.37(c)(2)(ii).

If the phase of the construction-permanent loan being disclosed includes an escrow account, the creditor must disclose the amount the consumer will pay into an escrow account to pay certain charges under the terms of the legal obligation. 12 CFR § 1026.37(c)(2)(iii).

Construction Phase

Construction loans typically do not involve mortgage insurance and escrow payments in the construction phase, but if they do, those payments are disclosed according to the requirements in § 1026.37(c).

Permanent Phase

Mortgage insurance and escrow payments (if any) are disclosed as they are in any other non-construction loan under the requirements in § 1026.37(c).

3. Loan Costs Table

The Loan Costs Table includes cost information about services that the creditor or mortgage broker require for consummation, such as underwriting, appraisal, and title services. 12 CFR § 1026.37(f); Comment 37(f)-1. In a transaction with construction financing, often there are fees for inspection of the property and fees for handling the construction loan funds, such as "draw fees" charged for loan disbursements (or draws). Those fees are considered loan costs.

Construction inspection and handling fees must be disclosed under the TRID Rule, and if using separate disclosures, are generally disclosed on the construction phase disclosure. Comment App. D-7.vii, Comment 17(c)(6)-5. The label and placement depends on when they are collected.

The following focuses on the Loan Costs Table disclosures based on the most common questions received by the Bureau. In particular, the following discusses inspection and handling fees for the staged disbursement of construction loan proceeds, including draw fees.

Loan Costs	
A. Origination Charges	**$3,110**
1 % of Loan Amount (Points)	$2,110
Application Fee	$500
Processing Fee	$500
B. Services You Cannot Shop For	**$820**
Appraisal Fee	$305
Credit Report Fee	$30
Flood Determination Fee	$35
Lender's Attorney Fee	$400
Tax Status Research Fee	$50
C. Services You Can Shop For	**$1,921**
Pest Inspection Fee	$125
Survey Fee	$150
Title – Courier Fee	$32

Other Costs	
E. Taxes and Other Government Fees	**$152**
Recording Fees and Other Taxes	$152
Transfer Taxes	
F. Prepaids	**$1,352**
Homeowner's Insurance Premium (12 months)	$1,000
Mortgage Insurance Premium (months)	
Prepaid Interest ($23.44 per day for 15 days @ 4.00%)	$352
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	**$1,436**
Title – Owner's Title Policy (optional)	$1,436
I. TOTAL OTHER COSTS (E + F + G + H)	**$2,940**
J. TOTAL CLOSING COSTS	**$8,791**
D + I	$8,791
Lender Credits	

For more information on the Loan Costs Table disclosures, see section 2.3.1 of the Guide to Forms.

Where to disclose fees

Construction inspection and handling fees for the staged disbursement of construction loan proceeds, including draw fees, are loan costs, and must be disclosed either in the Loan Costs Table if collected at or before consummation or on an addendum if collected after consummation. Comment 37(f)-3; Comment App. D-7.vii.

Example

For example, if an advance is taken at consummation to finance construction inspection and handling fees, they are considered collected at consummation and must be disclosed in the Loan Costs Table.

However, if the creditor permits the consumer to take advances after consummation to cover construction loan inspection and handling fees, the fees are collected after consummation and must be disclosed on an addendum.

How to total fees

Disclosure of construction inspection and handling fees must be disclosed as a single total of inspection and handling fees, whether in the Loan Costs Table or on an addendum. Comment 37(f)-3. However, Regulation Z does not prohibit breaking the total down into subtotals as provided by other provisions, such as to disclose different service providers or to distinguish services for which the consumer may shop.

Example

For example, if the consumer can shop for some, but not all, inspection and handling fees, the creditor may disclose a total for the portion of services for which the consumer can shop in that designated section of the Loan Costs Table and a separate total in the section showing fees for which the consumer cannot shop.

Further, if the fees are paid to different service providers, creditors may disclose separate inspection and handling fee totals for each service provider.

But note, if disclosed on an addendum, Regulation Z requires a single total of the inspection and handling fees. Comment 37(f)(6)-3. Further breakdowns may be provided on the addendum in a clear and conspicuous manner, so long as the total is disclosed.

How to label fees

If disclosed on the Loan Costs Table, the label for the inspection and handling fees must be clear and conspicuous, whether disclosed as a single total or as separate totals to disclose different service providers or to distinguish services for which the consumer may shop. 12 CFR §§ 1026.37(f)(5), 37(o)(1), and 38(t)(1).

Example

For example, when disclosing as a single total, one option for labeling the total is "Inspection and Handling Fees." *See* 12 CFR § 1026.37(f)(5); Comment 37(f)(5)-1.

If disclosed on an addendum, the label "Inspection and Handling Fees Collected After Closing" is required for the total fee on the addendum. Comment 37(f)(6)-3. Any further breakdowns, if used, must be labeled in a clear and conspicuous way. 12 CFR §§ 1026.37(o)(1) and 38(t)(1).

How to estimate unknown or changed fees

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

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

4. Adjustable Payments (AP) Table

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

For separate construction phase disclosures, one common scenario that may trigger the requirement to disclose the AP Table is when the periodic principal and interest payment may change because the amounts or timing of advances are unknown at consummation and the construction loan interest is payable only on the amount advanced for the time it is outstanding.

In such cases, there may be a change to the periodic payment after consummation not based on an adjustment to the interest rate, because the periodic payment may change due to changes in the amount of the principal balance to which the interest rate is applied. The AP Table is triggered in this scenario even when Appendix D is used to estimate the periodic payment.

The following focuses on the AP Table disclosures based on the most common questions received by the Bureau. In particular, the following discusses disclosures for Interest Only Payments and other details regarding periodic Principal and Interest Payments.

For more information on the AP Table disclosures, see section 2.3.5 of the Guide to Forms.

Adjustable Payment (AP) Table

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

1 Interest-Only Payments

Creditors must disclose whether the loan has interest-only payments and, if "YES," the period during which interest-only periodic payments are scheduled. 12 CFR § 1026.37(i)(1).

For a separate construction disclosure, if the construction phase is interest-only, the creditor must disclose "YES" as well as the period during which interest-only payments are scheduled. 12 CFR § 1026.37(i)(1). Such period should be disclosed by describing the number of payments counting from the first periodic payment due after consummation. Comment 37(i)-2.

2 First Change/Amount

Under Principal and Interest Payments, the creditor must disclose the number of the first payment that may change, counting from the first periodic payment due after consummation, and the amount or range of the periodic principal and interest payment for such payment. 12 CFR § 1026.37(i)(5)(i).

For separate construction phase disclosures, when the amounts or timing of advances are unknown at consummation, the disclosure is the number of the earliest possible payment (e.g., the 1st payment) that may change and, also, generally the amount or range corresponding to the first periodic payment that may change. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)-2.

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

Example

For example, the disclosure may be "1st payment" because the legal obligation allows draws, in an unknown amount, prior to the first payment. If the creditor estimates the periodic payment using the assumption in Appendix D that applies if interest is payable only on the amount advanced for the time it is outstanding, then the creditor may leave blank the amount or range corresponding to the first change.

3 Subsequent Change

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

Example

For example, in the construction phase, if the periodic principal and interest payments may change more than once during the construction phase (because, for example, of changes in the amount advanced), the creditor must disclose the shortest period between adjustments that may occur as the frequency of subsequent changes on a separate construction disclosure. 12 CFR § 1026.37(i)(5); Comment 37(i)(5)-3.

4 Maximum Payment

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

In a separate construction disclosure, if the construction phase periodic payments are interest-only, Comment 37(i)(5)-5 provides the creditor must disclose the maximum possible periodic interest-only payment (even though this section is labeled “Principal and Interest Payments”).

Additional resources

For more information, you can visit www.consumerfinance.gov/policy-compliance/guidance/tila-respa-disclosure-rule/ to reference:

- The full **TRID Rule**
- The section-by-section analysis or 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 Small Entity Compliance Guide**
- The **TILA-RESPA Guide to Forms**
- Other implementation support materials (including proposed rule amendments, if applicable)

More resources related to mortgage rule implementation are available at www.consumerfinance.gov/policy-compliance/guidance/.

If you have a specific regulatory interpretation question about the TRID Rule after reviewing these materials, as well as the regulation and official commentary, you can submit it to us at reginquiries.consumerfinance.gov/. Please understand that the responses we provide are not official interpretations of the Bureau and are not a substitute for formal legal counsel or other compliance advice.

For email updates about when additional compliance resources become available, sign up for email updates about mortgage rule implementation at www.consumerfinance.gov/policy-compliance/guidance/.

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.