

## V. Lending — HOPA

### Job Aids

#### Homeowners Protection Act Worksheet

Use this worksheet to perform transactional testing. Answer the following questions with a “Yes” (Y) or a “No” (N) answer. Every “No” answer indicates a violation of law or an internal deficiency and must be explained fully in the work papers.

Homeowner Protection Act Worksheet		
	Yes	No
1. Does the lender provide written initial disclosures at consummation for fixed rate residential mortgage transactions that include:		
a. A written amortization schedule? (12 USC §4903(a)(1)(A)(i))		
b. A notice that the borrower may submit a written request to cancel PMI as of the date that, based on the initial amortization schedule, the principal balance is first scheduled to reach 80 percent of the original value of the mortgaged property, irrespective of the outstanding balance of the mortgage, or based on actual payments, when the principal balance reaches 80 percent of the original value of the mortgaged property (or any later date) and the borrower has a good payment history, is current on payments, and has satisfied the lender’s requirements that the value of the mortgaged property has not declined and is unencumbered by subordinate liens? (12 USC §4903(a)(1)(A)(ii)(I) and (II))		
c. The specific date, based on the initial amortization schedule, the loan balance is scheduled to reach 80 percent of the original value of the mortgaged property? (12 USC §4903(a)(1)(A)(ii)(I))		
d. A notice that PMI will automatically terminate on the date that, based on the amortization schedule and irrespective of the outstanding balance of the mortgage, the principal balance is first scheduled to reach 78 percent of the original value of the mortgaged property if the loan is current or on the first day of the first month after the date that the loan becomes current? (12 USC §4903(a)(1)(A)(ii)(III))		
e. The specific date the loan balance is scheduled to reach 78 percent LTV? (12 USC §4903(a)(1)(A)(ii)(III))		
f. Notice that exemptions to the right to cancel and automatic termination exist for high-risk loans and whether such exemptions apply? (12 USC §4903(a)(1)(A)(ii)(IV))		
2. Does the lender provide written initial disclosures at consummation for adjustable rate residential mortgage transactions that include a notice that:		
a. The borrower may submit a written request to cancel PMI as of the date that, based on the amortization schedule then in effect and irrespective of the outstanding balance of the mortgage, the principal balance is first scheduled to reach 80 percent of the original value of the mortgaged property or based on actual payments, when the principal balance actually reaches 80 percent of the original value of the mortgaged property (or any later date), and the borrower has a good payment history, the loan is current, and the borrower has satisfied the lender requirements that the value of the mortgaged property has not declined and is unencumbered by subordinate liens? (12 USC §4903(a)(1)(B)(i))		
b. The servicer will notify the borrower when the cancellation date is reached, i.e., when the loan balance represents 80 percent of the original value of the mortgaged property? (12 USC §4903(a)(1)(B)(i))		

	Yes	No
c. PMI will automatically terminate when the loan balance is first scheduled to reach 78 percent of the original value of the mortgaged property irrespective of the outstanding balance of the mortgage if the loan is current, or on the first day of the first month after the date that the loan becomes current? (12 USC §4903(a)(1)(B)(ii))		
d. On the termination date the borrower will be notified of the termination or the fact that PMI will be terminated on the first day of the first month after the date that the loan becomes current? (12 USC §4903(a)(1)(B)(ii))		
e. Exemptions to the right to cancel and automatic termination exist for high-risk loans and whether such exemptions apply? (12 USC §4903(a)(1)(B)(iii))		
3. Does the lender have established standards regarding the type of evidence it requires borrowers to provide to demonstrate that the value of the mortgage property has not declined and are they provided when a request for cancellation occurs? (12 USC §4902(a)(4)(A))		
4. Does the lender provide written initial disclosures at consummation for high risk residential mortgage transactions (as defined by the lender or Fannie Mae or Freddie Mac), that PMI will not be required beyond the midpoint of the amortization period of the loan, if the loan is current? (12 USC §4903(a)(2))		
5. If the financial institution acts as servicer for residential mortgage transactions, does it provide an annual written statement to the borrowers explaining their rights to cancel or terminate PMI and an address and telephone number to contact the servicer to determine whether they may cancel PMI? (12 USC §4903(a)(3)) <i>Note: This disclosure may be included on RESPA's annual escrow account disclosure or IRS interest payment disclosures.</i>		
6. If the financial institution acts as servicer, does it provide an annual written statement to each borrower who entered into a residential mortgage prior to July 29, 1999, that includes:		
a. A statement that PMI may, under certain circumstances, be canceled by the borrower with the consent of the lender or in accordance with applicable state law? (12 USC §4903(b)(1))		
b. An address and telephone number that the borrower may use to contact the servicer to determine whether the borrower may cancel the PMI? (12 USC §4903(b)(2)) <i>Note: This disclosure may be included on RESPA's annual escrow account disclosure or IRS interest payment disclosure.</i>		
7. If the financial institution acts as servicer for residential mortgage transactions, does it provide borrowers with written notices within 30 days after the date of cancellation or termination of PMI that the borrower no longer has PMI and that no further PMI payments or related fees are due? (12 USC §4904(a))		
8. If the financial institution services residential mortgage transactions, does it return all unearned PMI premiums to the borrower within 45 days of either termination upon the borrower's request or automatic termination under the HOPA? (12 USC §4902(f))		
9. If the financial institution acts as servicer for residential mortgage transactions, does it provide borrowers with written notices of the grounds it relied on (including the results of any appraisal) to deny a borrower's request for PMI cancellation, no later than 30 days after the date the request is received, or the date on which the borrower satisfies any evidence and certification requirements established by the lender, whichever is later? (12 USC §4904(b)(1) and 12 USC §4904(b)(2)(A))		

## V. Lending — HOPA

	Yes	No
<p>10. If the financial institution acts as servicer for residential mortgage transactions, does it provide borrowers with written notices of the grounds it relied on (including the results of any appraisal) for refusing to automatically terminate PMI not later than 30 days after the scheduled termination date? (12 USC §4904(b)(2)(B))</p> <p><i>Note: The scheduled termination date is reached when, based on the initial amortization schedule (in the case of a fixed rate loan) or the amortization schedule then in effect (in the case of an adjustable rate loan), the principal balance of the loan is first scheduled to reach 78 percent of the original value of the mortgaged property, if the borrower is current on that date or the first day of the first month after the date that the borrower becomes current.</i></p>		
<p>11. If the financial institution acts as a servicer for adjustable rate residential mortgage transactions, does the financial institution notify borrowers that the cancellation date has been reached? (12 USC §4903(a)(1)(B)(i))</p>		
<p>12. If the financial institution acts as a servicer for adjustable rate residential mortgage transactions, does the financial institution notify the borrowers on the termination date that PMI has been canceled or that it will be cancelled on the first day of the first month after the date that the loan becomes current? (12 USC §4903(a)(1)(B)(ii))</p>		
<p>13. If the financial institution requires “Lender Paid Mortgage Insurance” (LPMI) for residential mortgage transactions, does it provide a written notice to a prospective borrower on or before the loan commitment date that includes:</p>		
<p>a. A statement that LPMI differs from borrower paid mortgage insurance (BPMI) in that the borrower may not cancel LPMI, while BPMI is subject to cancellation and automatic termination under the HOPA? (12 USC §4905(c)(1)(A))</p>		
<p>b. A statement that LPMI usually results in a mortgage with a higher interest rate than BPMI? (12 USC §4905(c)(1)(B)(i))</p>		
<p>c. A statement that LPMI only terminates when the transaction is refinanced, paid off, or otherwise terminated? (12 USC §4905(c)(1)(B)(ii))</p>		
<p>d. A statement that LPMI and BPMI both have benefits and disadvantages and a generic analysis reflecting the differing costs and benefits of each over a 10-year period, assuming prevailing interest and property appreciation rates? (12 USC §4905(c)(1)(C))</p>		
<p>e. A statement that LPMI may be tax-deductible for federal income taxes if the borrower itemizes expenses for that purpose? (12 USC §4905(c)(1)(D))</p>		
<p>14. If the lender requires LPMI for residential mortgage transactions, and the financial institution acts as servicer, does it notify the borrower in writing within 30 days of the termination date that would have applied if it were a BPMI transaction, that the borrower may wish to review financing options that could eliminate the requirement for PMI? (12 USC §4905(c)(2))</p>		
<p>15. Does the financial institution prohibit borrower paid fees for the disclosures and notifications required under the HOPA? (12 USC §4906)</p>		