CLOSED-END CREDIT

OVERVIEW

Examination review procedures for closed-end credit have been segregated in the following way:

- Primary residence purchase, refinance, permanent construction, or assumption loans
- Home improvement and home equity loans secured by a principal dwelling
- Interim construction loans
- Consumer loans

In This Section

DEFINITION(S)

Closed-End Credit

Closed-end credit means consumer credit other than open-end credit.

Refinance

Refer to the Supplement to Approved Loans section of this manual.

PRIMARY RESIDENCE LOANS

The procedures in this section are to be used to review primary residence loans for the following purposes:

- Purchase
- Refinance
- Permanent construction
- Assumption

Loan samples should be selected in accordance with the sampling procedures.

Ensure that your sample includes each type of the above-listed loans, as applicable.

NOTE: Refer to the Introduction to Approved Loans section of this manual for General Truth in Lending Procedures.

At Application

Fixed-rate loans require no procedures "at application".

Variable-rate loans require certain procedures "at application".

Ensure that the following disclosures for each variable-rate loan have been provided if the annual percentage rate may increase after consummation in a transaction secured by the consumer's principal dwelling **with a term greater than one year.**

Truth In Lending (TIL)
1. The Consumer Handbook on Adjustable Rate Mortgages (CHARM) booklet or a suitable substitute if you are reviewing an adjustable rate mortgage loan with a term of greater than one year. (Does not apply to assumptions). (226.19(b)(1))
2. A loan program disclosure for each variable-rate program in which the consumer expresses an interest, which should include the following as applicable: a. The fact that the interest rate, payment, or term of the loan can change. b. The index or formula used in making adjustments, and a source of information about the index or formula. (The index may be internally

PRIMARY RESIDENCE LOANS (cont'd)

At Application (cont'd)

defined by the financial institution.) (See Official Staff Commentary.)

c. An explanation of how the interest rate and payment will be determined, including an explanation of how the index is adjusted, for example, by the addition of a margin.

d. A statement that the consumer should ask about the current margin value and current interest rate.

e. The fact that the interest rate will be discounted, and a statement that the consumer should ask about the amount of the interest rate discount.

f. The frequency of interest rate and payment changes.

g. Any rules relating to changes in the index, interest rate, payment amount, and outstanding loan balance including, for example, an explanation of interest rate or payment limitations, negative amortization, and interest rate carryover.

h. At the option of the creditor, either of the following:

(i) A historical example, based on a $10,000 loan amount, illustrating how payments and the loan balance would have been affected by interest rate changes implemented according to the terms of the loan program disclosure.

The example shall reflect the most recent 15 years of index values. The example shall reflect all significant loan program terms, such as negative amortization, interest rate carryover, interest rate discounts, and interest rate and payment limitations, that would have been affected by the index movement during the period. If the program is less than 15 years old, the history should only cover the length of the life of the program. Also, the index rates should only go back as far as the financial institution can reasonably determine the rates.

(ii) The maximum interest rate and payment for a $10,000 loan originated at the initial interest rate (index value plus margin, adjusted by the amount of any discount or premium) in effect as of an identified month and year for the loan program disclosure assuming the maximum periodic increases in rates and payments under the program; and the initial interest rate and payment for that loan and a statement that the periodic payment may increase or decrease substantially depending on changes in the rate.

i. An explanation of how the consumer may calculate the payments for the loan amount to be borrowed based on either:

(i) The most recent payment shown in the historical example in paragraph (h)(i) of this section; or

(ii) The initial interest rate used to calculate the maximum interest rate and payment in paragraph (h)(ii) of this section

j. The fact that the loan program contains a demand feature.

PRIMARY RESIDENCE LOANS (cont'd)

At Application (cont'd)

k. The type of information that will be provided in notices of adjustments and the timing of such notices.

l. A statement that disclosure forms are available for the financial institution's other variable-rate loan programs.

(226.19(b)(2))

Within 3 Business Days of Receipt of a Written Application

For a loan to be subject to the three business days timing requirements of Truth in Lending, it must be a residential mortgage transaction: a transaction in which a mortgage, deed of trust, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained in the consumer's principal dwelling to finance the acquisition or initial construction of that dwelling. (This does not apply to refinances.)

Truth In Lending (TIL)

1. The TIL disclosures will be made by the creditor before consummation. In certain residential mortgage transactions, special timing requirements are set forth in Section 226.19(a), which states that the required disclosures or good faith estimate must be given at consummation or within three business days, whichever is earlier. (226.17(b) and 226.19(a))

   a. Determine that the disclosures are grouped together, segregated from other material, and made clearly and conspicuously in writing in a form the consumer may keep. (226.17(a)(1))

      NOTE: A technical disclosure violation may occur when a combination disclosure, note, and security agreement is used. Refer to Memorandum to Regional Directors entitled, "Combination Disclosure, Note and Security Agreement and Regulation Z," dated 01-21-98, for further guidance.

   b. Determine that the terms "finance charge" and "annual percentage rate" (APR), when required to be disclosed with a corresponding amount or percentage rate, are more conspicuous than any other disclosure. (Those terms need not be more conspicuous than the financial institution's identity.) (226.17(a)(2))

   c. Determine the presence and accuracy of the following items in the TIL disclosure, as applicable:

      Refer to the appropriate section of this manual for guidelines for APR calculations.

      - The identity of the creditor making the disclosures (The financial institution's name is sufficient; however, the address and telephone

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

number may be included.) (226.18(a))

- The "amount financed", using that term, and a brief description, such as "the amount of credit provided to you or on your behalf"

  The amount financed should be compared to the principal amount on the note. The amount financed should be less than the principal amount if origination fees or other prepaid charges were applicable, otherwise these amounts should be the same. The amount financed is calculated by using the following procedures:

  -- Determine the principal loan amount or the cash price (subtracting any down payment)

  -- Add any other amounts that are financed by the creditor and are not part of the finance charge

  -- Subtract any prepaid finance charge

  (226.18(b))

- A separate, written itemization of the amount financed, including:

  -- The amount of any proceeds distributed directly to the consumer

  -- The amount credited to the consumer's account with the financial institution

  -- Any amounts paid to other persons by the creditor on the consumer's behalf (identifying those persons)

  -- Prepaid finance charges

  A separate, written itemization of the amount financed is not required where a statement is included that the consumer has the right to receive a written itemization and the consumer has not indicated in a space provided that such an itemization is desired.

  NOTE: Good Faith Estimates of settlement costs provided for transactions subject to RESPA may be substituted for the disclosures required by Section 226.18(c).

- The "finance charge", using that term, and a brief description, such as "the dollar amount the credit will cost you" (The finance charge should include all finance charges outlined in Section 226.4.) (226.18(d))

- The "annual percentage rate", using that term, and a brief description, such as "the cost of your credit as a yearly rate"

  The APR should be within the allowed tolerance of 1/8 of 1% (0.125) for regular transactions and 1/4 of 1% (0.25) for irregular transactions. (An irregular transaction is one that includes one or more of the following features: multiple advances, irregular payment periods, or irregular payment amounts (other than an irregular first period or an irregular first or final payment)).

- In addition to the above tolerance, the disclosed APR will also be considered accurate if:

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

- -- The rate results from the disclosed finance charge; and
- -- The disclosed finance charge would be considered accurate under 226.18(d)(1).

(226.22(a)(4) and (5))

Refer to footnotes in Section 226.22 for more guidance.

(226.18(e) and 226.22)

- If the APR may increase after consummation in a transaction not secured by the consumer's principal dwelling or in a transaction secured by the consumer's principal dwelling with a term of one year or less, the following disclosures are required:

  NOTE: Provided CHARM and ARM loan program disclosures required by Section 226.19(b) and 226.18(f)(2) have not been substituted.

  -- The circumstances under which the rate may increase

  -- Any limitations on the increase

  -- The effect of an increase

  -- An example of the payment terms that would result from an increase

  226.18(f)(1)

- If the APR may increase after consummation in a transaction secured by the consumer's principal dwelling with a term greater than one year, the following disclosures should be provided:

  -- The fact that the transaction contains a variable-rate feature

  -- A statement that variable-rate disclosures have been provided earlier

  (226.18(f)(2))

- The number, amounts, and timing of payments scheduled to repay the obligation. The number of payments multiplied by the amount of payments should equal the total of payments. The examiner should verify the number, amounts, and timing of payments with the legal obligation (226.18(g))

- The "total of payments", using that term, and a descriptive explanation, such as "the amount you will have paid when you have made all scheduled payments" (226.18(h))

  NOTE: Both the number and amount of payments, as well as the finance charge plus the amount financed should equal total of payments. The total of payments may be omitted in a single-payment transaction; however, this exception does not apply to a transaction calling for a single payment of principal combined with periodic payments of interest.

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

- The fact that the obligation has a demand feature and that the disclosures are based on an assumed maturity of one year if no alternate maturity date is stated (This feature should only be utilized if the loan is truly made "on demand," for example, the loan can be called at any time for any reason.) (226.18(i))

  Refer to Regulation Z Official Staff Commentary.

- In a credit sale, the "total sale price", using that term, and a descriptive explanation (including the amount of any down payment), such as "the total price of your purchase on credit, including your down payment of $______" (This could be applicable to a residential mortgage when it concerns financial institution-financed other real estate (ORE).) (226.18(j))

- If the obligation includes a finance charge computed from time to time by application of a rate to the unpaid principal balance, a statement indicating whether a penalty may be imposed if the obligation is prepaid in full

  If the obligation includes a precomputed finance charge, a statement indicating whether the consumer is entitled to a rebate of any finance charge if the obligation is prepaid in full. The prepayment penalty clause ideally should only be utilized on simple interest notes and the rebate clause should only be utilized on precomputed notes. However, when a simple interest note includes private mortgage insurance the rebate clause should also be utilized. (226.18(k))

- Any dollar or percentage charge that may be imposed before maturity due to a late payment (This amount should be compared to what is specified in the legal obligation to ensure the correct terms have been stated.) (226.18(l))

- The fact that the creditor has or will acquire a security interest in the property purchased as part of the transaction or in other property identified by item or type (For residential property, utilizing the "goods or property purchased" clause will suffice.) (226.18(m))

- To exclude certain insurance premiums from the finance charge the following conditions must be disclosed:

  -- For premiums for credit life, accident, health, or loss-of-income insurance:

  (i) That the insurance coverage is not required by the financial institution

  (ii) The premium for the initial term of insurance coverage and if the term of insurance is less than the term of the transaction, the term of insurance also shall be disclosed.

  (iii) That the consumer signed or initialed an affirmative written request for the insurance after receiving the

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

disclosures specified above. (Any consumer in the transaction may sign or initial the request.)

These conditions can be contained within the credit insurance application form, as well as any other separate form. (226.4 (d))

-- For premiums for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property:

(i) That the insurance coverage may be obtained from a person of the consumer's choice.

(ii) If the coverage is obtained from or through the creditor, the premium for the initial term of insurance coverage. (If the term of insurance is less than the term of the transaction, the term of insurance shall also be disclosed.)

(226.18(n) and 226.4(d))

- The disclosures required to exclude certain security interest charges from the finance charge (226.18(o))

  If itemized and disclosed, the following charges may be excluded from the finance charge:

  -- Taxes and fees prescribed by law that actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest

  -- The premium for insurance in lieu of perfecting a security interest to the extent that the premium does not exceed the fees described above that otherwise would be payable

  (226.4(e))

- A statement that the consumer should refer to the appropriate contract document for information about nonpayment, default, the right to accelerate the maturity of the obligation and prepayment rebates and penalties (This statement can usually be found in small print at the bottom of the "Fed" box.) (226.18(p))

- A statement as to whether a subsequent purchaser of the dwelling may be permitted to assume the remaining obligation on its original terms (226.18(q))

- If the financial institution requires the consumer to maintain a deposit as a condition of the specific transaction, a statement that the annual percentage rate does not reflect the effect of the required deposit (This **does not** apply to: deposits earning 5% or more per year; an escrow account for items such as taxes, insurance, or repairs; or payments under a Morris Plan.) (226.18(r))

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

Real Estate Settlement Procedures Act (RESPA)

1. Determine through discussion with management and review of credit files whether the Special Information Booklet (SIB) is provided within three business days from the time the financial institution receives a written application for a loan. The SIB is only required for purchase loans secured by first mortgages. (3500.6(a))

2. In conjunction with the above step, determine whether the financial institution provides a good faith estimate (GFE) of settlement costs within three business days after receipt of a written application.

   The GFE should be compared to the HUD-1 to ensure estimates provided were reasonably similar to fees actually paid by the borrower. Also, ensure the GFE was disclosed in the required format. (3500.7(a), 3500.7(c), and 3500.7(d))

3. Determine that a mortgage servicing disclosure statement was provided. (3500.21)

   NOTE: This requirement does not apply to subordinate lien loans.

4. Determine through review of the financial institution's GFEs, HUD-1 and HUD-1A forms and discussions with management whether the financial institution requires the borrower to use the services of a particular individual or firm for settlement services as defined in Section 3500.2.

   If so, ensure that the financial institution provides the borrower with the following information on the GFE:

   a. Clearly states that use of the particular provider is required and that the estimate is based on the charges of the designated provider.

   b. Includes the name, address, and telephone number of each provider.

   c. Describes the nature of any relationship between each such provider and the lender; for example "X is a depositor of the lender," "X has performed 60% of the lender's settlements in the past year."

      For purposes of the above paragraph, a "relationship" exists if:

      - The provider is an associate of the financial institution, as defined in 3500.15(c)(1)
      - Within the last 12 months, the provider has maintained an account with the lender or had an outstanding loan or credit arrangement with the financial institution

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

- The financial institution has repeatedly used or required borrowers to use the services of the provider within the last 12 months

With the exception of a provider that is the institution's chosen attorney, credit reporting agency, or appraiser, if the financial institution is in an affiliated business relationship, as defined in 3500.15, with a provider, the financial institution may not require use of that provider. (3500.7(e))

5. Determine if the financial institution maintains a controlled list of required providers (five or more for each individual service) or relies on a list maintained by others.

   If so, and at the time of application the lender has not yet decided which provider will be selected from that list, then the lender may satisfy the requirements of Section 3500.7(e) if the lender:

   a. Provides the borrower with a written statement that the lender will require a particular provider from a lender-controlled or approved list.

   b. Provides the borrower in the GFE the range of costs for the required provider(s), and provides the name of the specific provider and the actual cost on the HUD-1 or HUD-1A.

   (3500.7(e)(4))

Affiliated Business Arrangements

NOTE: If a financial institution has either an affiliate relationship or a direct or beneficial ownership interest of more than 1% in a provider of settlement services and the lender directly or indirectly refers business to the provider, it is an affiliated business arrangement. An affiliated business arrangement is not a violation of Section 8 of RESPA and of Section 3500.14 of Regulation X if the following conditions outlined in the procedures below and under RESPA "At or Before Closing" are satisfied.

6. If the financial institution is in an affiliated business arrangement as defined in Section 3(7) of RESPA, and makes a referral to a borrower, then the financial institution must provide to each person being referred a written disclosure on a separate piece of paper, in the format of the Affiliated Business Arrangement Disclosure Statement set forth in Appendix D of Regulation X. (3500.15(b))

7. The person making the referral must request that the person being referred sign the disclosure promptly and return it to the affiliate making the referral or a designated addressee, and must provide information on where to send the signed disclosure. (3500.15(b))

PRIMARY RESIDENCE LOANS (cont'd)

Within 3 Business Days of Receipt of a Written Application (cont'd)

8. The disclosure shall:

   - Specify the nature of the relationship (explaining the ownership and financial interest) between the person performing settlement services (or business incident thereto) and the person making the referral;
   - Describe the estimated charge or range of charges (using the same terminology, as far as practical, as Section L of the HUD-1 or HUD-1A settlement statement) generally made by the provider of settlement services; and
   - Include an acknowledgement to sign for the person being referred to.

   (3500.15(b))

9. The disclosure must be provided in accordance with the following timetable:

   - In the case of a referral by a lender (including a referral by a lender to an affiliated lender) the disclosure must be provided at or before referral, or at the time that the good faith estimate is provided; and
   - In the case of a referral made by telephone, at the time that the good faith estimate is provided, and an abbreviated verbal disclosure that in clear, understandable language:

     i. Specifies the nature of the relationship (explaining the ownership and financial interest) between the entity making the referral and the entity performing settlement services (or business incident thereto);

     ii. Explains that because of this relationship, this referral may provide a financial or other benefit to the referring party;

     iii. States that the existence of this relationship does not mean that the person being referred must use the provider to whom he or she is being referred as a condition of settlement of the loan, or purchase, sale, or refinance of the property, as applicable; and

     iv. Advises that a written disclosure will be provided within 3 business days.

   (3500.15(b))

10. Ensure that the financial institution making the referral has limited the requirement of a particular provider of settlement services for a buyer, borrower, or seller, to an attorney, credit reporting agency or real estate appraiser chosen by the lender to represent the lender's interest in a real estate transaction. (3500.15(b))

11. Ensure that the only thing of value that is received from the arrangement other than payments listed in section 3500.14(g) of Regulation X is a return on an ownership interest or franchise relationship. (3500.15(b))

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing

Truth In Lending (TIL)
1. Determine that the financial institution provided the consumer with a TIL disclosure, with all the information described previously under "Within Three Business Days", if the annual percentage rate (APR) in the consummated transaction varied from the APR disclosed under 226.18(e) by more than 1/8 of 1% in a regular transaction or more than 1/4 of 1% in an irregular transaction, unless additional tolerances are available due to special rule in 226.22(a)(4) and (5). The changed terms should be disclosed no later than consummation or settlement. (226.17 (f))
2. Determine that the financial institution provided the consumer with a TIL disclosure (with all the information described previously under "Within Three Business Days"). If in an adjustable rate mortgage the initial rate is not determined by the index or formula used to make later interest rate adjustments, as in a discounted variable-rate transaction, the disclosed APR should reflect a composite rate based on the initial rate for as long as it is applied and, for the remainder of the term, the rate that would have been applied using the index or formula at the time of consummation. A redisclosure need not be provided if the index at consummation did not result in an APR which differed from the original APR by more than the allowed tolerance. (226.19(a)(2))
3. Determine that the financial institution provided the consumer with notice of the right to receive an itemization of the amount financed if a GFE was not provided. (226.18(c), footnote 39))
4. Determine that the financial institution provided the notice of right to rescind for refinanced loans from another creditor, and refinanced loans from the same creditor when additional funds are advanced from this creditor. (In the latter case, only the amount of the "new or additional" funds is subject to rescission.) A loan to acquire a principal dwelling and make improvements to that dwelling is exempt if treated as one transaction. The rescission notice shall be on a separate document that identifies the transaction and shall clearly and conspicuously disclose the following: a. The retention or acquisition of a security interest in the consumer's principal dwelling. b. The consumer's right to rescind the transaction. c. How to exercise the right to rescind, with a form for that purpose, designating the address of the creditor's place of business. d. The effects of rescission. e. The date the rescission period expires.

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

(226.23(a)) and (226.23(b))

5. Determine that the financial institution provided two copies of the notice of right to rescind and one copy of the TIL disclosure to <u>each</u> consumer entitled to rescind. (226.23(b))

6. Determine that the financial institution did not disburse any money other than in escrow, performed no services, and delivered no materials before the rescission period expired (three business days, including Saturdays), provided the consumer did not legitimately waive their right to rescind. (226.23(c))

7. Determine if any consumers waived their right to rescind.

   If so, ensure the waivers were hand written and described a bona fide personal financial emergency. Printed forms for this purpose are prohibited. (226.23(e))

8. In those instances where the APR may increase after loan consummation, determine the loan contract includes the maximum interest rate that may be imposed during the term of the obligation. (226.30(a))

9. Perform TIL Subpart E procedures at the end of the Primary Residence Loans section, as applicable.

Real Estate Settlement Procedures

1. Determine that the financial institution uses the current Uniform Settlement Statement (HUD-1) or an allowable substitute when required. For refinancings, the borrower's side of the HUD-1 or alternatively, the HUD-1A may be used. (3500.8(a))

2. Determine that the settlement statement is completed in accordance with the instructions set forth in Appendix A of RESPA.

   NOTE: Items frequently overlooked are the borrower/seller addresses, the lender/owner title coverage amounts, and charges required by the lender, but paid outside of closing marked as "P.O.C.", but not included in settlement totals. (3500.8(b))

   NOTE: The financial institution does not have the statutory requirement to ensure that the HUD-1 Settlement Statement is properly completed unless it is the closing or settlement agent. Therefore, violations of incompleteness of the HUD-1 should not be cited if the financial institution is not the settlement agent or does not have direct control over the settlement agent. However, HUD-1s should still be checked for accuracy even if the financial institution is not the settlement agent and any

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

inaccuracies should be brought to management's attention.

3. Determine the settlement agent allows the borrower, upon request, to inspect the HUD-1 or HUD-1A at least one business day prior to settlement. (3500.10(a))

4. The settlement agent provides the HUD-1 or HUD-1A to the borrower and seller at or before settlement. (3500.10(b))

   - In cases where the right to delivery is waived or the transaction is exempt, the settlement statement is mailed as soon as possible after settlement (3500.10(c)) and (3500.10(d))

Affiliated Business Arrangements

5. In all cases, the person being referred must sign the disclosure. The person being referred should sign the disclosure at the time that the disclosure is provided. If the person being referred chooses not to sign the disclosure at the time that the disclosure is provided, the signature of the person being referred must be obtained at or before closing or settlement. (3500.15(b))

6. The existence of a notation having been made, at the time that the disclosure was provided, in a written, electronic, or similar system of records maintained in the regular course of business, which includes a notation of the fact that the person being referred chose not to sign the disclosure at the time that it was provided, may be used as evidence that the disclosure was provided at the time of the referral, but does not substitute for obtaining a signature in accordance with number 5 above. In the case of a face-to-face referral, if the person being referred chooses not to sign the disclosure at the time that the disclosure is provided, such notation is mandatory. (3500.15(b))

Title Companies

7. Ensure that if the financial institution holds legal title to the property being sold (typically Other Real Estate Owned), which is the same property which is being financed by a federally related mortgage loan, does not require borrowers, either directly or indirectly, to use a particular title company. (3500.16)

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

Escrow Accounts

NOTE: The following disclosures for escrow accounts apply only to those accounts in which the financial institution actually establishes a separate account to handle payment of taxes, insurance, and other charges related to the loan.

8. Determine that the financial institution is in compliance with the established limitations on charges upon creation of an escrow account:

   - The lender may not require the borrower to deposit in an escrow account an aggregate sum in excess of an amount sufficient to pay the charges related to the mortgaged property, such as taxes and insurance, which are attributable to the period from the date such payment(s) were last made until the initial payment date
   - Throughout the life of an escrow account, the lender may charge the borrower a monthly sum equal to 1/12 of the total annual escrow payments that the lender reasonably anticipates paying from the account
   - Also, an additional charge (cushion) may be placed upon the borrower that shall be no greater than 1/6 of the estimated total annual payments from the escrow account

   (3500.17(c)(1))

9. Determine that an escrow account analysis to determine the amount the borrower shall deposit into the escrow account, subject to the above limitations, was conducted by the servicer.

   In conducting the analysis, the servicer shall estimate the disbursement amounts as described in 3500.17(c)(7). The servicer shall use a date on or before the **earlier** of the deadline to take advantage of discounts, if available, or the deadline to avoid a penalty as the disbursement date for the escrow item.

   NOTE: Refer to Automated RESPA Escrow Program in the Appendix of this manual for guidance in conducting an escrow account analysis.

   (3500.17(c)(2))

10. In conducting an escrow account analysis, determine that the servicer used the aggregate accounting method.

    (3500.17(c)(4))

    NOTE: Refer to the Automated RESPA Escrow Program in the Appendix to this manual for assistance in reviewing escrow account disclosures and statements.

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

11. An initial escrow statement has been delivered to the borrower at closing or not later than 45 days after the establishment of the escrow account, which includes the following information:
    a. The amount of the borrower's monthly mortgage payment and the portion of the payment going into the escrow account.
    b. A clear itemization of the estimated taxes, insurance premiums, and other charges that are reasonably anticipated to be paid from the escrow account during the escrow account computation year.
    c. The anticipated disbursement dates of such payments.
    d. The amount the financial institution selects as a cushion.
    e. A trial running balance for the account.

    NOTE: The initial statement may be included in the basic text of the HUD-1 or HUD-1A or may attach the initial escrow statement as an additional page to the HUD-1 or HUD-1A.

    (3500.17(g)(1)(i))

Fair Housing

Determine that the financial institution advised the applicant that the information regarding race/national origin, marital status, age, and sex is being requested to enable the FDIC to monitor compliance with the Fair Housing and Equal Credit Opportunity Acts which prohibit creditors from discriminating against applicants on prohibited bases.

(338.7)

Flood Insurance

1. Determine that the financial institution used the standard flood hazard determination form when determining whether or not the securing improved real estate or mobile home is or will be located in a special flood hazard area in which flood insurance is available under the Act. (A completed copy of the flood hazard determination form shall be retained by the financial institution for the period of time the loan is owned.) (339.6)

2. Determine that the financial institution provided the required written notice to the borrower within a reasonable time before the completion of the transaction if the property securing the loan is located in a special flood hazard area. The notice advises the borrower that the improved real estate or mobile home securing the loan is in a flood hazard area and whether or not federal disaster relief assistance will be available. (339.9(c))

   Ensure the contents of the notice meet the requirements of Section 339.9(b) and contain language substantially similar to that in Appendix A to Part 339.

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

3. Determine that the financial institution provided the required written notice to the servicer as promptly as practicable after providing notice to the borrower and no later than the time the institution provides other similar notices to the servicer concerning hazard insurance and taxes. (339.9(c))

   Notice to the servicer may be made electronically or may take the form of a copy of the notice to the borrower.

4. Determine that financial institution retains a record of the receipt of the notices by the borrower and the servicer for the period of time the institution owns the loan. (329.9(d))

5. Determine that the financial institution did not make, increase, extend, or renew any designated loan unless the securing properties are covered by flood insurance for the term of the loan. The amount of insurance must be at least equal to the lesser of the outstanding principal balance of the loan or the maximum limit of coverage made available for the particular type of property under the Act. Flood insurance coverage under the Act is limited to the overall value of the property securing the loan minus the value of the land on which the property is located. (339.3)

NOTE: Flood insurance rules require that only the value of the improvements be insured. Therefore, do not consider the value of the land when reviewing required flood insurance amounts. For example, the appraised value of the property is $200,000 and the value attributable to the land is $25,000. The resultant amount of flood insurance needed would be $175,000.

Flood insurance coverage is required for improved real estate, despite the location (height) of specific property, if the property is located in a special flood hazard area. For example, a 15th floor unit in a high rise condominium requires coverage as does a 1st floor unit. Loans can be made to individual condominium unit owners where flood insurance coverage is provided under a master policy in the name of the condominium association. FEMA has a policy entitled Residential Condominium Building Association Policy (RCBAP) that will provide coverage for all unit owners.

6. Determine whether the financial institution charges borrowers a "reasonable" fee for making a determination whether flood insurance is required. (339.8)

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

7. Determine that flood insurance premiums are escrowed, as required, if a financial institution also requires the escrow of taxes, insurance premiums, fees or any other charges for a loan that is consummated and secured by residential improved real estate or a mobile home. (339.5)

8. Ensure that the financial institution notifies the insurance carrier, in writing, of the loan servicer's identity whenever the institution makes, increases, extends, renews, sells or transfers a loan secured by improved property located or to be located in a special flood hazard area. (339.10(a))

9. Ensure the financial institution notifies the insurance carrier within 60 days after the effective date of the change in the servicer of a loan. (339.10(b))

NOTE: In the event of a flood insurance claim, Federal Emergency Management Agency (FEMA) makes the proceeds check payable to ***all lienholders*** *and the borrower. This action is taken even if the first lienholder* ***did not*** *require flood insurance when the first mortgage was made.*

For example, a second lienholder requires a borrower to purchase flood insurance to cover the amount of its mortgage (a home equity line in the amount of $20,000). In the event of a flood, FEMA would make the proceeds check payable to the first and second lienholders as well as the borrower. Therefore, the first lienholder would share the $20,000 insurance proceeds even though it failed to have the borrower purchase flood insurance at the time the first mortgage was made. The parties involved would determine how the proceeds are allocated.

NOTE: The "purchase of a loan" is not the equivalent of the "making of a loan" for purposes of federal flood insurance regulations. Purchase of a loan in the secondary market is not an event requiring a flood zone determination.

NOTE: Federal flood insurance legislation applies to subsidiaries of financial institutions which they supervise to promote consistency and compliance with federal flood insurance requirements. The FDIC relies, in part, on its general authority to supervise the activities of insured nonmember banks as a basis for a finding that the subsidiaries of regulated financial institutions must comply with federal flood insurance requirements.

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

NOTE: When improved real estate or a mobile home located in a flood hazard area is taken as security in "an abundance of caution," flood insurance requirements are applicable. Although the "abundance of caution" test is a basis for an exception to the appraisal requirements in Part 323 of the FDIC Rules and Regulations, there is no such exception for the flood insurance requirements of Part 339 or applicable Federal statute.

Equal Credit Opportunity

1. Determine that a written application was taken. (202.5(e))

2. Determine if the financial institution requests information regarding race, sex, marital status, and age.

   This information may be requested on the application or a separate form that refers to the application.

   NOTE: The applicant(s) should be requested but not required to provide the information. If the applicant(s) choose not to provide the information, that fact shall be noted on the form on which it was requested. The creditor shall then note the race and sex based on visual observation or surname, to the extent possible.

   (202.13)

3. Determine that the financial institution provided the consumer with notice of the right to receive an appraisal, if the financial institution does not routinely provide appraisals as a course of business.

   Delivery of the appraisal should generally occur within 30 days of receipt of an applicant's request, receipt of the report, or receipt of reimbursement from the applicant for the report, whichever is last to occur. (Effective date was December 14, 1993, with optional compliance until June 14, 1994).

   (202.5a(2))

Credit Practices Rule

NOTE: These procedures apply to mobile home loans without real estate.

1. Review the documents evidencing the credit obligation for the required notice to co-signers.

   a. If the notice to co-signers is contained in the note or disclosure, it must be clear, conspicuous, and substantially similar to that provided in the

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

regulation and must be provided before the co-signer becomes obligated. (227.14)

b. If the notice to co-signers is contained in a separate document:

- Interview applicable employees to determine if they are aware that the notice must be provided prior to the co-signers becoming obligated
- Review the financial institution's policies, procedures, and practices to ensure that appropriate personnel are aware that co-signers must be provided with the notice prior to becoming obligated

2. Determine that the following prohibited contract provisions are not included in contracts (or related documents) originated, or enforced in contracts acquired by the financial institution:

- Confession of judgment – a waiver of the right to a notice and the opportunity to be heard in the event of a suit on the obligation (227.13(a))
- Waiver of statutory property exemption – a provision that waives the consumer's statutory right to protect his or her home (known as the homestead exemption), possessions, or wages from seizure to satisfy a judgment unless the waiver is given on property that will serve as security for the obligation (227.13(b))
- Assignment of wages – a provision that gives the financial institution the right to receive the consumer's wages or earnings directly from the consumer's employer if:

  -- It is revocable at will by the consumer

  -- It is a payroll deduction plan or preauthorized payment plan (whether or not revocable by the consumer), commencing at consummation, for the purpose of making loan payments

  -- It applies only to wages or earnings already earned at the time of the assignment

  (227.13(c))
- Nonpossessory Security Interest in Household Goods – a provision which allows the financial institution to hold as collateral the clothing, furniture, appliances, and the personal effects of the consumer or the consumer's dependents (227.13(d))

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

Fair Credit Reporting Act

Determine that any credit reports contained in the file were requested and used only as permissible and specified in the Fair Credit Reporting Act. (604) ■

NOTE: FCRA procedures should only be performed in response to a complaint or if the FDIC otherwise has knowledge of a violation. These procedures may be performed if violations were noted at the previous examination and the current examination is the first or second examination after the examination at which the violations were noted.

Preservation of Consumers' Claims and Defenses

1. Review at least one note from each dealer from which the financial institution has purchased indirect paper since the previous compliance examination.

   Determine whether or not the contracts contain the following required notice without conflict with other contractual provisions:

   NOTICE

   ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

   (433.2 (a))

   NOTE: The Rule imposes no requirement with respect to the location of the required notice within the text of a consumer contract. It may appear anywhere. The Rule is satisfied so long as the notice is clearly a part of the contract and any remaining provisions of the contract do not contradict and are not otherwise inconsistent with the terms of the notice.

2. Review any note forms furnished by the financial institution to dealers. Typically, this is when a seller (dealer) arranges financing for buyers via referral to the financial institution or where the seller and financial institution as creditor are affiliated by common control, contract, or business arrangement.

   Determine if the following required notice is included as part of the contract for a purchase money loan:

PRIMARY RESIDENCE LOANS (cont'd)

At or Before Closing (cont'd)

NOTICE

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

(433.2 (b))

3. Review relationships with dealers to determine if the financial institution is making "purchase money loans" as defined in the Rule.

   A purchase money loan is a cash advance which is received by a consumer in return for a "finance charge" within the meaning of the Truth in Lending Act and Regulation Z, which is applied, in whole or substantial part, to a purchase of goods or services from a seller who (1) refers consumers to the creditor or (2) is affiliated with the creditor by common control, contract, or business arrangement.

4. Review purchase money loans made since the previous compliance examination to determine whether the contracts contain the required notice without conflict with other contractual provisions. (433.2(b))

After Closing

Truth In Lending (TIL)

1. Determine, for adjustable rate mortgages, that the financial institution provided consumers with the following disclosures at least once each year during which an interest rate adjustment was implemented without an accompanying payment change, and at least 25, but no more than 120, calendar days before a payment at a new level is due:

   a. The current and prior interest rates.

   b. The index values upon which the current and prior interest rates are based.

   c. The extent to which the creditor has foregone any increase in the interest rate.

   d. The contractual effects of the adjustment, including the payment due after the adjustment is made, and a statement of the loan balance.

   e. The payment, if different than (d) above, that would be required to fully amortize the loan at the new interest rate over the remainder of the loan term.

   (226.20(c))

   NOTE: The accuracy of the adjusted interest rates and indexes should be verified by comparing them with the contract and early disclosures. Refer to TIL under the Loan-Related Regulations section of this manual.

PRIMARY RESIDENCE LOANS (cont'd)

After Closing (cont'd)

Real Estate Settlement Procedures Act (RESPA)
Escrow Accounts
1. Determine whether, for continuing escrow arrangements, the financial institution provides an annual escrow statement to the borrower within 30 days of the completion of the escrow account computation year. The financial institution must conduct an escrow account analysis before submitting an annual escrow statement to the borrower. (3500.17(i))
2. Determine if the annual escrow statement itemizes: a. Amount of current monthly payment. b. Portion of the monthly payment being placed in escrow. c. Amount of past year's monthly payment. d. Portion of past year's payment paid into the escrow account. e. Total amount paid into escrow during the past year. f. Total amount paid out of escrow during the past year for taxes, insurance premiums, and other charges. g. Balance in the escrow account at the end of the period. h. Explanation of how any surplus is being handled by the servicer. i. An explanation of how any shortage or deficiency is to be paid by the borrower. j. If applicable, the reason(s) why the estimated low monthly balance was not reached. (3500.17(i)(1))
Mortgage Servicing Transfers
3. Determine that the transferor provided the notice to the borrower of the transfer of mortgage servicing at least 15 days prior to the effective date of the transfer. (3500.21(d)(2))
4. Determine that the transferee provided notice to the borrower within 15 days after the effective date of the transfer. (3500.21(d)(2))
5. Determine whether the notice by transferor and transferee included the following: a. The effective date of the transfer. b. The new servicer's name, address, and toll-free or collect call telephone number.

PRIMARY RESIDENCE LOANS (cont'd)

After Closing (cont'd)

c. A toll-free or collect telephone number of the present servicer to answer inquiries relating to the transfer.

d. The date on which the present servicer will cease accepting payments and the date the new servicer will begin accepting payments relating to the transferred loan.

NOTE: Dates must either be the same or consecutive.

e. Any information concerning the effect of the transfer on the availability of terms of optional insurance and any action the borrower must take to maintain coverage.

f. A statement that the transfer does not affect the terms or conditions of the mortgage, other than terms directly related to its servicing.

g. A statement of the borrower's rights in connection with complaint resolution.

(3500.21(d)(3))

NOTE: The following transfers are not considered an assignment, sale, or transfer of mortgage loan servicing if there is no change in the payee, address to which payment must be delivered, account number, or amount of payment due:

- *Transfers between affiliates*
- *Transfers resulting from mergers or acquisitions of servicers or subservicers*
- *Transfers between master servicers, where the subservicer remains the same*

Fair Housing
For a financial institution located in a MSA and having assets over $29 million, determine whether the loan transaction was recorded on the Home Mortgage Disclosure Act (HMDA) loan application register within 30 days after the end of each calendar quarter in which final action was taken in accordance with Regulation C. (338.8) *NOTE: The HMDA asset-size exemption threshold for financial institutions is adjusted annually by the Federal Reserve Board. Accordingly, a new threshold will be established for 2000. The asset threshold for data collection in 1998 and 1999 was $29 million.*

PRIMARY RESIDENCE LOANS (cont'd)

After Closing (cont'd)

Flood Insurance
1. Determine, for those transactions in which flood insurance was obtained, that such insurance has been renewed each year and maintained throughout the life of the loan.
2. Ensure that the financial institution notified the borrower that flood insurance will be obtained by the financial institution, at a cost to the borrower, if the improved property securing the loan is not sufficiently covered by flood insurance and the borrower fails to purchase the insurance within 45 days after notification. (339.7) NOTE: The Act does not require an institution to monitor for map changes or require that determinations be made at any time other than when a loan is made, increased, extended, or renewed. If, however, at any time during the life of the loan the institution or its servicer determines that required flood insurance is deficient, the Act requires initiation of forced placement procedures.

Home Mortgage Disclosure
Determine whether the loan transaction was accurately recorded on the LAR within 30 days after the end of each calendar quarter in which final action was taken. (203.4(a)) *Refer* to Loan Related Regulations for HMDA applicability.

TRUTH IN LENDING (TIL) SUBPART E

The following are examination procedures for Subpart E . Special Rules for Certain Home Mortgage Transactions; Sections 226.31, 226.32, and 226.33 of the Federal Reserve Board's Regulation Z. Subpart E became effective October 1, 1995.

Definitions

Certain closed-end home mortgages concern a consumer credit transaction that is secured by the consumer's principal dwelling, and in which either:

- The annual percentage rate (APR) at consummation will exceed by more than ten percentage points the yield on Treasury securities having comparable periods of maturity to the loan's maturity (as of the fifteenth day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor)
- The total points and fees (see definition below) payable by the consumer at or before loan closing will exceed the greater of 8% of the total loan amount, or $412 for 1996, $424 for 1997, and $435 for 1998. (This dollar amount is adjusted annually based on changes in the Consumer Price Index)

TIL SUBPART E (cont'd)

Definitions (cont'd)

Exempt transactions include:

- Residential mortgage transactions (generally purchase money mortgages)
- Reverse mortgage transactions subject to Section 226.33
- Open-end credit plans subject to Subpart B of Regulation Z

(226.32(a))

NOTE: Recent Treasury security rates can be requested from the bank, obtained in the financial section of The Wall Street Journal, or found at the Federal Reserve Board's Internet site www.bog.frb.fed.us, under "Statistics: Releases and Historical Data".

Points and fees include the following:

- All items required to be disclosed under 226.4(a) and (b) except interest or the time-price differential
- All compensation paid to mortgage brokers
- All items required to be disclosed under 226.4(c)(7) (other than amounts held for future taxes) unless the charge is reasonable, the creditor receives no direct or indirect compensation in connection with the charge, and the charge is not paid to an affiliate of the creditor

(226.32(b)(1))

Reverse mortgage is a nonrecourse transaction that is secured by the consumer's principal dwelling which ties repayment (other than upon default) to the homeowner's death or permanent move from, or transfer of the title of, the home.

(226.33(a))

Procedures

FFIEC Examination Procedures
1. The examiner shall determine whether the financial institution offers consumer credit transactions subject to Subpart E of Regulation Z; specifically, certain *closed-end home mortgages* and *reverse mortgages*. *Refer* to the example worksheets at the end of TIL Subpart E procedures to determine whether or not the financial institution is engaged in certain closed-end home mortgages (high-cost mortgages). (226.32(a)) and (226.33(a))
2. The examiner shall review loans subject to Subpart E of Regulation Z to ensure that, in accordance with Section 226.31: • Required disclosures are provided to consumers, in addition to, and not in lieu of the disclosures contained in other subparts of this part (226.31(a))

TIL SUBPART E (cont'd)

Procedures (cont'd)

- The disclosures are clear and conspicuous, in writing, and in a form that the consumer may keep (226.31(b))
- Disclosures are furnished at least three business days prior to consummation of a mortgage transaction covered by Section 226.32; and, for reverse mortgages, as required by Section 226.33, at least three business days prior to:
  - -- Consummation of a closed-end credit transaction, or
  - -- The first transaction under an open-end credit plan (226.31(c)(1) and (2))
- Subsequent to consummation, the creditor makes redisclosure if there are changes in any terms that make the disclosures inaccurate (226.31(c)(1)(i))
- A creditor provides new disclosures by telephone if the consumer initiates the change and if, at consummation:
  - -- The creditor provides new written disclosures
  - -- The consumer and creditor sign a statement that the new disclosures were provided by telephone at least three days prior to consummation (226.31(c)(1)(ii))
- If a consumer waives the right to a three-day waiting period to meet a bona fide personal financial emergency, the waiver must be a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all the consumers entitled to the waiting period (A consumer is allowed to waive the right to the three-day waiting period to meet a bona fide personal financial emergency only after receiving the disclosures required by paragraph 226.31(c)(1))

(226.31(c)(iii))

- The disclosures reflect the terms of the legal obligation between the parties (226.31(d))
- If the transaction involves more than one creditor, only one set of disclosures are given (The creditors shall agree among themselves which creditor must comply with the requirements.) (226.31(e))
- Additionally, if the transaction involves more than one consumer, the disclosures are made to any consumer who is primarily liable on the obligation. If the transaction is rescindable under Sections 226.15 or 226.23, the disclosures are made to each consumer who has the right to rescind (226.31(e))
- The APR is accurately calculated and disclosed in accordance with Section 226.22 (226.31(g))

TIL SUBPART E (cont'd)

Procedures (cont'd)

Certain Closed-End Home Mortgages

3. For certain closed-end home mortgages subject to Section 226.32, the examiner shall:

   a. Ensure that, in addition to other required disclosures, the creditor discloses the following, as detailed in Section 226.32(c), for mortgages subject to that section:

      - The required statement "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan"
      - Annual percentage rate
      - Amount of the regular payment
      - Statement that the interest rate may increase and the amount of the single maximum monthly payment, based on the maximum interest rate allowed under the contract, if applicable

   b. Ensure that a mortgage transaction subject to this section does not provide for the following terms, as detailed in Section 226.32(d):

      - Balloon payment (term <5 years, with exceptions)
      - Negative amortization
      - Advance payments of more than 2 periodic payments
      - Increased interest rate after default
      - Rebates based on Rule of 78s, arising from a loan acceleration due to default
      - Prepayment penalties, unless conditions are met

   c. Ensure that the creditor is not engaged in the following prohibited acts and practices:

      - Repayment ability – Extending such credit to a consumer based on the consumer's collateral if, considering the consumer's current and expected income, current obligations, and employment status, the consumer will be unable to make the scheduled payments to repay the obligation
      - Home improvement contracts – Paying a contractor under a home improvement contract from the proceeds of a mortgage unless certain conditions are met
      - Notice to assignee – Selling or otherwise assigning a mortgage subject to this section without furnishing the required statement to the purchaser or assignee

      226.32(e)

TIL SUBPART E (cont'd)

Procedures (cont'd)

d. Determine that a statement of the maximum interest rate that may be imposed during the term of the obligation is made in the contract if the APR may increase after consummation. (226.30(a))

Reverse Mortgages

e. For reverse mortgages subject to Section 226.33, the examiner shall verify that disclosures are provided in a form substantially similar to the model form found in paragraph (d) of Appendix K of Regulation Z and include the following:

- A statement that the consumer is not obligated to complete the reverse mortgage transaction merely because he or she has received the disclosures or signed an application.
- "Total annual loan cost rates," using that term – A good faith projection of the total cost of the credit, to include, as detailed in Section 226.33(c)):
  - -- Costs to consumer
  - -- Payments to consumer
  - -- Additional creditor compensation
  - -- Limitations on consumer liability
  - -- Assumed annual appreciation rates
  - -- Assumed loan period
  - -- An itemization of loan terms, charges, the age of the youngest borrower, and the appraised property value.
  - -- An explanation of the table of total annual loan costs rates.

  (226.33(b))

CERTAIN CLOSED-END HOME MORTGAGES
EXAMPLE TRANSACTIONS

Please see the attached High-Cost Mortgage Examination Worksheets that are completed for each example. Both examples involve home improvement loans secured by the borrower's principal dwelling.

Example 1

Application Date	02-12-97
Loan Amount	$8000.00
Number Payments	180
Simple Interest	14%
Annual Percentage Rate	14.58%
Payment Amount	$106.54

Closing Costs Paid in Cash at Consummation*

1.5 Point	$120.00	Paid to Bank
Service Fee	$100.00	Paid to Bank
Appraisal	$250.00	Conducted by Bank Paid to Bank
Document Preparation	$100.00	Paid to Bank
Title Insurance	$200.00	ABC Insurance Company
Credit Report	$50.00	TRW
Flood Inspection	$30.00	TransAmerica ($20 initial fee + $10 life of loan fee)
Courier Fee	$32.00	UPS
Pest Inspection	$45.00	Acme Inc.

Example 2

Application Date	02-12-97
Loan Amount	$3250.00 (Principal $3000 Appraisal Fee Financed $250)
Number Payments	240
Simple Interest	17%
Annual Percentage Rate	18.35%
Payment Amount	$50.02

Closing Costs Paid in Cash at Consummation*

1 Point	$32.50	Paid to Bank
Service Fee	$150.00	Paid to Bank
Appraisal	$250.00	Conducted by Bank Paid to Bank
Document Preparation	$100.00	Paid to Bank
Title Insurance	$200.00	ABC Insurance Company (Bank Affiliate)
Credit Report	$50.00	TRW
Flood Inspection	$30.00	TransAmerica ($20 initial fee + $10 life of loan fee)
Courier Fee	$32.00	UPS
Pest Inspection	$45.00	Acme Inc.

* *Assume all fees are reasonable in amount. With the exception of the insurance company, the other non-bank companies listed are not affiliated with the bank. Initial flood, courier and pest fees are not considered prepaid finance charges. The life of the loan flood fee is a prepaid finance charge.*

HIGH-COST MORTGAGE WORKSHEET

Borrower's Name **EXAMPLE TRANSACTION - 1**	Loan Number 33333

COVERAGE		
	Yes	**No**
Is the loan secured by the consumer's home?	**X**	
If the answer is no, stop here.		
Is the loan for the following purpose?		
1. Residential Mortgage Transaction – *226.2(24)*		**X**
2. Reverse Mortgage Transaction – *226.33*		**X**
3. Open-End Credit Plan – *Subpart B*		**X**
If the answer is yes to any of these items, stop here. If no, continue to Test 1.		

TEST 1 – CALCULATION OF APR		
A. Disclosed APR	**14.58**	
B. Treasury Security Yield of Comparable Maturity *(Obtain the Treasury Constant Maturities Yield from the Federal Reserve Board's Statistical Release H 15 – Selected Interest Rates. Use the yield that has the most comparable maturity to the loan term and is from the 15th day of the month that immediately precedes the month of application. If the 15th is not a business day, use the yield for the business day immediately preceding the 15th. If the loan term is exactly half-way between two published security maturities, use the security maturity with the lowest yield.)* *Web site: http://www.bog.frb.fed.us/Releases/H15*	**6.53**	
C. Treasury Security Yield of Comparable Maturity (Box B) plus ten basis points	**16.53**	
	Yes	**No**
D. Is Box A greater than Box C?		**X**
If yes, the transaction is a high-cost mortgage. Proceed to checklist. If no, continue to Test 2.		

Bank Name	First State Bank	Exam Date	1-30-98
Certificate Number	12345	EIC	J. Smith
Branch	N/A	Prepared By	J. Smith

TEST 2 – CALCULATION OF POINTS AND FEES		
STEP 1: Identify All Charges Paid by the Consumer at or Before Loan Closing:		
1. Finance Charges – 226.4(b) (Interest and time-price differential are excluded from these amounts)		
	Fee	Sub-Totals
Loan Points	**$120**	
Loan Service Fees	**$100**	
Other Fees		
Required Credit Insurance		
Private Mortgage Insurance		
Life of Loan Charges	**$10**	
Escrow Charges *(other than taxes)*		
Any Other Fees Considered Finance Charges		
Sub-Total		**$230**
2. Certain Non-Finance Charges Under 226.4(c)(7) – Include fees paid by consumers only if the creditor receives direct or indirect compensation from the charge or the charge is paid to an affiliate of the bank. *(See the example in Section 226.32(b)(1)(iii) of the Commentary for further explanation)*		
Title Examination		
Title Insurance		
Property Survey		
Document Preparation Charge	**$100**	
Credit Report		
Appraisal	**$250**	
Initial Flood Hazard Determination Fee		
Pest Inspection		
Courier Fees		
Other Fees not Considered Finance Charges*		
Sub-Total		**$350**

3. Compensation Paid to Mortgage Brokers by Consumers *(whether or not disclosed as FC)*		
Broker Fee		
Sub-Total		
4. Total Points & Fees		
Grand Total Add sub-totals to determine total points & fees		**$580.00**

* These fees include non-finance charges paid to third parties which are unreasonable in amount

TEST 2 – CALCULATION OF POINTS AND FEES (continued)

STEP 2: Determine the Total Loan Amount for Use Under Section 226.32(a)(1)(ii)	
Principal Loan Amount	**$8000.00**
Plus Other Amounts Financed by the Lender *(not already included in the principal)*	
Less Prepaid Finance Charges	**$230.00**
Equals Amount Financed	**$7770.00**
Less Non-Finance Charges *(From Step 1 Part 2)* **Financed** by the Lender	
Equals Total Loan Amount	**$7770.00**
STEP 3: Perform High Cost Calculation	
A. Eight Percent of the Total Loan Amount *(Answer from above)*	**$621.60**
B. Annual Adjustment Amount – 226.32(a)(1)(ii) *(1995: $400; 1996: $412; 1997: $424; 1998: $435)* *(Use the amount that corresponds to the year of the loan's origination. See Federal Register to obtain the figure for future years.)* *Web site: http://www.fdic.gov/lawsregs/fedr/notices.html*	**$424.00**
C. Total Points & Fees *(Grand Total from Step 1 Part 4)*	**$580.00**

	Yes	No
Does Box C exceed the greater of Box A or Box B?		**X**

If yes, the transaction is a high-cost mortgage. Proceed to checklist. If no, stop here.

HIGH-COST MORTGAGE WORKSHEET

Borrower's Name **EXAMPLE TRANSACTION – 2**	Loan Number 44444

COVERAGE

	Yes	No
Is the loan secured by the consumer's home?	**X**	
If the answer is no, stop here.		
Is the loan for the following purpose?		
1. Residential Mortgage Transaction – *226.2(24)*		**X**
2. Reverse Mortgage Transaction – *226.33*		**X**
3. Open-End Credit Plan – *Subpart B*		**X**

If the answer is yes to any of these items, stop here. If no, continue to Test 1.

TEST 1 – CALCULATION OF APR		
A. Disclosed APR	**18.35**	
B. Treasury Security Yield of Comparable Maturity *(Obtain the Treasury Constant Maturities Yield from the Federal Reserve Board's Statistical Release H 15 – Selected Interest Rates. Use the yield that has the most comparable maturity to the loan term and is from the 15th day of the month that immediately precedes the month of application. If the 15th is not a business day, use the yield for the business day immediately preceding the 15th. If the loan term is exactly half-way between two published security maturities, use the security maturity with the lowest yield.)* *Web site: http://www.bog.frb.fed.us/Releases/H15*	**6.87**	
C. Treasury Security Yield of Comparable Maturity (Box B) plus ten basis points	**16.87**	
	Yes	**No**
D. Is Box A greater than Box C?	**X**	
If yes, the transaction is a high-cost mortgage. Proceed to checklist. If no, continue to Test 2.		

Bank Name	First State Bank	Exam Date	1-30-98
Certificate Number	12345	EIC	J. Smith
Branch	N/A	Prepared By	J. Smith

TEST 2 – CALCULATION OF POINTS AND FEES		
STEP 1: Identify All Charges Paid by the Consumer at or Before Loan Closing:		
1. Finance Charges – 226.4(b) (Interest and time-price differential are excluded from these amounts)		
	Fee	Sub-Totals
Loan Points	**$32.50**	
Loan Service Fees	**$150.00**	
Other Fees		
Required Credit Insurance		
Private Mortgage Insurance		
Life of Loan Charges	**$10.00**	
Escrow Charges *(other than taxes)*		
Any Other Fees Considered Finance Charges		
Sub-Total		**$192.50**
2. Certain Non-Finance Charges Under 226.4(c)(7) – Include fees paid by consumers <u>only</u> if the creditor receives direct or indirect compensation from the charge or the charge is paid to an affiliate of the bank. *(See the example in Section 226.32(b)(1)(iii) of the Commentary for further explanation)*		
Title Examination		
Title Insurance	**$200.00**	
Property Survey		
Document Preparation Charge	**$100.00**	
Credit Report		
Appraisal	**$250.00**	
Initial Flood Hazard Determination Fee		
Pest Inspection		
Courier Fees		
Other Fees not Considered Finance Charges*		
Sub-Total		**$550.00**

3. Compensation Paid to Mortgage Brokers by Consumers *(whether or not disclosed as FC)*		
Broker Fee		
Sub-Total		
4. Total Points & Fees		
Grand Total <u>Add</u> sub-totals to determine total points & fees		**$742.50**

* These fees include non-finance charges paid to third parties which are unreasonable in amount

TEST 2 – CALCULATION OF POINTS AND FEES (continued)		
STEP 2: Determine the Total Loan Amount for Use Under Section 226.32(a)(1)(ii)		
Principal Loan Amount	**$3000.00**	
Plus Other Amounts Financed by the Lender *(not already included in the principal)*	**$250.00**	
Less Prepaid Finance Charges	**$192.50**	
Equals Amount Financed	**$3057.50**	
Less Non-Finance Charges *(From Step 1 Part 2)* **Financed** by the Lender	**$250.00**	
Equals Total Loan Amount	**$2807.50**	
STEP 3: Perform High Cost Calculation		
A. Eight Percent of the Total Loan Amount *(Answer from above)*	**$224.60**	
B. Annual Adjustment Amount – 226.32(a)(1)(ii) *(1995: $400; 1996: $412; 1997: $424; 1998: $435)* *(Use the amount that corresponds to the year of the loan's origination. See Federal Register to obtain the figure for future years.)* *Web site: http://www.fdic.gov/lawsregs/fedr/notices.html*	**$424.00**	
C. Total Points & Fees *(Grand Total from Step 1 Part 4)*	**$742.50**	
	Yes	**No**
Does Box C exceed the greater of Box A or Box B?	**X**	
If yes, the transaction is a high-cost mortgage. Proceed to checklist. If no, stop here.		

HOME IMPROVEMENT AND HOME EQUITY LOANS (HEL)

The following procedures are to be used to review home improvement and home equity loans secured by a principal dwelling. Loan samples should be selected in accordance with the sampling procedures. Ensure that your sample includes each type of loan, as applicable.

Fixed-rate loans require no procedures “at application”.

Variable-rate loans require certain procedures “at application”.

At Application

Ensure that the following disclosures for each variable-rate loan have been provided if the annual percentage rate may increase after consummation in a transaction secured by the consumer’s principal dwelling **with a term greater than one year.**

Truth In Lending (TIL)
1. Perform “General Truth in Lending Procedures” detailed in the Introduction to Approved Loans section of this manual.
2. Determine if proceeds of the loan being reviewed were distributed in multiple advances. If so, refer to interim construction loan TIL procedures for APR and Finance Charge disclosures.
3. Perform TIL “At Application” procedures for Primary Residence Loans.

Within 3 Business Days of Receipt of a Written Application

Real Estate Settlement Procedures Act (RESPA)
Perform RESPA “Within 3 Business Days of Receipt of a Written Application” procedures for Primary Residence Loans with the exception of 3500.6(a), which does not apply.

HEL (cont'd)

At or Before Closing

Truth In Lending (TIL)
1. Perform TIL "Within 3 Business Days of Receipt of a Written Application" procedures for Primary Residence Loans with the exception of 226.18(j) and 226.18(q), which are not applicable to home improvement and home equity loans.
2. Ensure that a notice of right to rescind is provided for loans secured by a primary residence other than for initial purchase. A loan to acquire a principal dwelling and make improvements to that dwelling is exempt if treated as one transaction. The notice shall be on a separate document that identifies the transaction and shall clearly and conspicuously disclose the following: • The retention or acquisition of a security interest in the consumer's principal dwelling • The consumer's right to rescind the transaction • How to exercise the right to rescind, with a form for that purpose, designating the address of the creditor's place of business • The effects of rescission • The date the rescission period expires (226.23(a)) and (226.23(b))
3. Ensure two copies of the notice of right to rescind and one copy of the TIL disclosure was provided to <u>each</u> consumer entitled to rescind. Refer to Regulation Z Official Staff Commentary. (226.23(b))
4. Determine that the financial institution did not disburse any money other than in escrow, performed no services, and delivered no materials before the rescission period expired (three business days, including Saturdays), provided the consumer did not legitimately waive their right to rescind. (226.23(c))
5. Determine if any consumers waived their right to rescind. If so, ensure the waivers were hand written and described a bona fide personal financial emergency. Printed forms for this purpose are prohibited. (226.23(e)) *NOTE: The rescission period begins after the last one of the following events has occurred: (1) consummation of the loan; (2) delivery of two copies of the right of rescission notice; or (3) delivery of TIL material disclosures. If the required notice or material disclosures are not delivered, the right to rescind will expire three years after consummation, upon transfer of all of the consumer's interest in the property, or upon sale of the property, whichever occurs first.*

HEL (cont'd)

At or Before Closing (cont'd)

6. In those instances where the APR may increase after loan consummation, determine the loan contract includes the maximum interest rate that may be imposed during the term of the obligation. (226.30(a))

Real Estate Settlement Procedures Act (RESPA)
Perform RESPA "At or Before Closing" procedures for Primary Residence Loans.

Flood Insurance
Perform Flood Insurance "At or Before Closing" procedures for Primary Residence Loans.

Equal Credit Opportunity
Determine that a right to receive an appraisal was provided to the customer, if the financial institution does not routinely provide appraisals as a course of business. Delivery of the appraisal should generally occur within 30 days of receipt of an applicant's request, receipt of the report, or receipt of reimbursement from the applicant for the report, whichever is last to occur. Effective date was December 14, 1993, with optional compliance until June 14, 1994. (202.5a(2))

Credit Practices Rule
Perform Credit Practices Rule "At or Before Closing" procedures for Primary Residence Loans.

Fair Credit Reporting Act
Perform Fair Credit Reporting "Act At or Before Closing" procedures for Primary Residence Loans.

HEL (cont'd)

After Closing

Truth In Lending (TIL)
Perform TIL "After Closing" procedures for Primary Residence Loans.

Real Estate Settlement Procedures Act (RESPA)
Perform RESPA "After Closing" procedures for Primary Residence Loans.

Fair Housing
Perform Fair Housing "After Closing" procedures for Primary Residence Loans. *NOTE: If the loan is classified as a home improvement loan and a portion of the proceeds is to be used for repairing, rehabilitating, remodeling, or improving a one-to-four family residential dwelling or the real property upon which it is located, it should be recorded on the LAR.*

Flood Insurance
Perform Flood Insurance "After Closing" procedures for Primary Residence Loans.

Home Mortgage Disclosure
Determine whether the loan transaction was accurately recorded on the LAR within 30 days after the end of each calendar quarter in which final action was taken. If the loan is classified as a home improvement loan and a portion of the proceeds is to be used for repairing, rehabilitating, remodeling, or improving a one-to-four family residential dwelling, or the real property upon which it is located, it should be recorded on the register. (203.4(a))

INTERIM CONSTRUCTION LOANS

The following procedures are to be used to review consumer interim construction loans. Loan samples should be drawn in accordance with the sampling procedures.

At or Before Closing

Truth In Lending (TIL)
1. Perform “General Truth in Lending Procedures” detailed in the Introduction to Approved Loans section of this manual.
2. Ensure that the following disclosures for each loan reviewed have been provided in relation to the noted time frames and regulations. The TIL disclosure, as with other consumer credit types, must reflect the legal obligation between the parties, usually found in the contract note. Interim construction disclosures can be provided through one of three methods: • Disclosures can be provided as one transaction, both construction and permanent take-out, using estimates calculated in accordance with Appendix D of Regulation Z • Disclosures can be provided for each interim advance and final take-out based on calculations using Appendix J of Regulation Z • Disclosures can be provided based on calculations using Appendix J of Regulation Z or more commonly the U.S. Rule when the timing and amounts of advances are known When the note contract is for the duration of interim construction with permanent financing, any of the above could be used. Appendix D provides guidance for preparing disclosures as one transaction for the combined construction phase and permanent financing phase. Separate disclosures can be given for the construction phase and the permanent financed phase. If the financial institution chooses to give two sets of disclosures and the consumer is obligated for both construction and permanent phases at the outset, both sets of disclosures must be given before consummation of the transaction. Examiners should be aware that when the loan contract is for both interim construction phase financing and permanent financing, the transaction will be subject to RESPA requirements in most cases. In such instances the primary residence closed-end credit guidelines should be referred to. (226.17(b), 226.17(c)(6), and 226.19(a))
3. Perform TIL “Within 3 Business Days of Receipt of a Written Application” procedures for Primary Residence Loans with the exception of 226.18(j) and 226.18(q), which do not apply to interim construction loans.

INTERIM CONSTRUCTION LOANS (cont'd)

At or Before Closing (cont'd)

NOTE: In instances where the interim and permanent phases of a construction loan are disclosed separately, prepaid finance charges such as a loan origination fee may be allocated between the transactions in any manner the financial institution chooses, as long as the charges are not applied more than once. For example, the same prepaid finance charges should not be reflected in both disclosures.

(226.18(d) and (226.17(c)(6)(Allocation of points) Official Staff Commentary)

NOTE: 226.18(f)(2) could be applicable when combined interim/ permanent disclosures are provided or when a consumer is obligated by the same financial institution conducting the interim transaction to also complete permanent financing with that same financial institution.

4. Right of rescission may be applicable in isolated instances, such as for multiple-advance home improvement/rehab loans. Also, when the consumer is acquiring or constructing a new principal dwelling, any loan subject to Regulation Z and secured by the equity in the consumer's current principal dwelling is subject to the right of rescission.

   Perform TIL "At or Before Closing" procedures for Home Improvement and Home Equity Loans, Steps 2 through 6.

Flood Insurance

Perform Flood Insurance "At or Before Closing" procedures for Primary Residence Loans.

Equal Credit Opportunity

Determine that the financial institution provided the consumer with notice of the right to receive an appraisal, if the financial institution does not routinely provide appraisals as a course of business.

Delivery of the appraisal should generally occur within 30 days of receipt of an applicant's request, receipt of the report, or receipt of reimbursement from the applicant for the report, whichever is last to occur. (Effective date was December 14, 1993, with optional compliance until June 14, 1994).

(202.5a(2))

INTERIM CONSTRUC-TION LOANS (cont'd)

At or Before Closing (cont'd)

Credit Practices Rule
Perform Credit Practices Rule "At or Before Closing" procedures for Primary Residence Loans.

Fair Credit Reporting Act
Perform Fair Credit Reporting Act "At or Before Closing" procedures for Primary Residence Loans.

After Closing

Flood Insurance
Perform Flood Insurance "After Closing" procedures for Primary Residence Loans.

CONSUMER CREDIT

The following procedures are to be used to review applicable consumer loans. Loan samples should be drawn in accordance with the sampling procedures. Ensure that your review includes only those loans which are $25,000 or less and primarily for personal, family, or household purposes. Ensure all types of consumer loans are sampled, for example, simple interest, precomputed, single pay, balloon, etc.

At or Before Closing

Ensure that the following disclosures for each loan sampled have been provided in relation to the noted time frames and regulations.

Truth In Lending (TIL)
1. Perform "General Truth in Lending Procedures" detailed in the Introduction to Approved Loans section of this manual.
2. Perform TIL "Within 3 Business Days of Receipt of a Written Application" procedures for Primary Residence Loans with the exception of 226.18(f) and 226.18(q), which do not apply to consumer credit.

CONSUMER CREDIT (cont'd)

At or Before Closing (cont'd)

Credit Practices Rule
NOTE: These procedures apply to consumer credit obligations to acquire goods, services, or money primarily for personal, family, or household use. The Rule applies to all types of home improvement loans and mobile homes without real estate.
Perform Credit Practices Rule "At or Before Closing" procedures for Primary Residence Loans.

Fair Credit Reporting Act
Perform Fair Credit Reporting Act "At or Before Closing" procedures for Primary Residence Loans.

Preservation of Consumers' Claims and Defenses
Perform PCCD "At or Before Closing" procedures for Primary Residence Loans.

WORKPAPER STANDARDS

Appropriate workpapers must be completed when reviewing compliance with loan regulations. Refer to Standardized Workpapers, Appendix K, in this manual.

FDIC LAW, REGULATIONS, & RELATED ACTS

Applicable Rules

Equal Credit Opportunity Act, Volume 2, Page 6610.16

Fair Credit Reporting Act, Volume 2, Page 6601

Fair Housing Act, Volume 3, Page 8201

Fair Housing Regulations, Volume 3, Page 9633

Federal Reserve Board's Regulation B Official Staff Interpretations, Volume 2, Page 7241

Federal Trade Commission Act, Volume 3, Page 8551 (contains FTC Trade Regulation Rule Concerning the Preservation of Consumers' Claims and Defenses, Page 8554.01)

Federal Trade Commission Regulations: Statement of General Policy or Interpretation of the Fair Credit Reporting Act, Volume 2, Page 7179

Flood Disaster Protection Act of 1973, Volume 3, Page 8663

Home Mortgage Disclosure Act of 1975, Volume 3, Page 8687

National Flood Insurance Act of 1968, Volume 3, Page 8655

Part 338 – Fair Housing, Volume 1, Page 2647

Part 339 – Loans in Areas Having Special Flood Hazards, Volume 1, Page 2663

Part 3500 – HUD's Regulation X, Real Estate Settlement Procedures Act, Volume 3, Page 8891

Real Estate Settlement Procedures Act of 1974, Volume 3, Page 8855

Real Estate Settlement Procedures Interpretive Ruling, Volume 3, Page 8963

Regulation AA – Unfair or Deceptive Acts or Practices, Volume 3, Page 7869 ■

Regulation B – Equal Credit Opportunity, Volume 2, Page 7209

Regulation C – Home Mortgage Disclosure, Volume 3, Page 7553

Regulation Z – Truth in Lending, Volume 2, Page 6641

Staff Guidelines on the Credit Practices Rule, Volume 3, Page 7875

Title VI of DIDMCA of 1980 – Truth in Lending Simplification and Reform Act, Volume 3, Page 8546

Truth in Lending Act, Volume 2, Page 6565

Truth in Lending Official Staff Commentary, Volume 2, Page 6871

FDIC LAW, REGULATIONS, & RELATED ACTS (cont'd)

Advisory Opinions

Application of Real Estate Lending Standards to Interim Construction Loan for Low-Income and Elderly Apartment Housing, Letter #93-52, Volume 2, Page 4789

Disclosure Requirements Upon Renegotiation of Fixed-Rate Mortgages, Letter #87-31, Volume 2, Page 4272

Loans Made by Insured Depository Institutions for Properties Located in Communities not Participating in the National Flood Insurance Program, Letter #96-10, Volume 2, Page 4978

Questions Concerning FDIC Enforcement of the Equal Credit Opportunity Act, Letter #87-39, Volume 2, Page 4279

Riegle Community Development and Regulatory Improvement Act of 1994 Requires Use of Complete FEMA Map and Panel Number for Real Property Offered as Collateral for Loan, Letter #95-1, Volume 2, Page 4913

Whether Loan Application Forms May Contain Check Boxes to Assist Creditors in Complying with the ECOA and Regulation B, Letter #94-2, Volume 2, Page 4828.1

Statements of Policy

Equal Credit Opportunity and Fair Housing Acts Enforcement Policy Statement, Volume 2, Page 5221

DCA MEMORANDA

High-Cost Mortgage Worksheet and Examiner Checklist, Transmittal #98-005, dated 3/24/98, Classification #6430.8

Further Guidance on Fair Credit Reporting Act (FCRA), Transmittal #98-004, dated 3/5/98, Classification #6434.1

Risk Management Priorities, Transmittal # 98-002, dated 1/26/98, Classification # 6410.14

Combination Disclosure, Note, and Security Agreement and Regulation Z, Memorandum to Regional Directors, dated 1/21/98

Real Estate Settlement Procedures Act - Updates, Memorandum to Regional Directors and Deputy Regional Directors, dated 10/21/97

Examinations for Fair Credit Reporting Act Compliance, Transmittal #97-034, dated 9/23/97, Classification #6434

Restitution Procedures for Regulation Z (Truth in Lending Act), Transmittal #97-030, dated 9/18/97, Classification #6430.6

Credit Life Insurance and Reimbursement, Memorandum to Regional Directors, dated 8/6/97

Real Estate Settlement Procedures Act Examination Procedures, Transmittal #97-024, dated 8/6/97, Classification #6436

Revisions to Examination Procedures for Regulation Z (Truth in Lending Act), Transmittal #97-021, dated 7/21/97, Classification #6430.2

Revisions to Regulation Z (Truth in Lending Act), Official Staff Commentary, Transmittal # 97-012, dated 3/7/97, Classification # 6430.5

Revised Examination Procedures for Loans in Areas Having Special Flood Hazards, Transmittal #96-060, dated 12/5/96, Classification #6486.2

Revised Home Mortgage Disclosure Act (HMDA) Examination Procedures, Transmittal #96-52, dated 10/31/96, Classification #6400.1

Revisions to Regulation Z - Truth in Lending Act, Transmittal # 96-049, dated 10/3/96, Classification # 6430

Further Guidance on Finance Charge Tolerances provided in 1996 Amendments to the Truth in Lending Act, Memorandum to Regional Directors and Deputy Regional Directors, dated 10/2/96

Subsequent Disclosure Requirements and Regulation C Reporting Requirements for the Refinancing of Loans to Consumers, Memorandum to Regional Directors, dated 3/7/96

Further Guidance on Finance Charge Tolerances Provided in 1995 Amendments to Truth in Lending Act, Memorandum to Regional Directors, dated 3/l/96

Truth in Lending - Flood Determination Fees, Transmittal # 95-003, dated 2/3/95, Classification # 6430

FINANCIAL INSTITUTION LETTERS (FIL)

Homeowners Protection Act of 1998, Letter #50-99, dated 6/4/99

Federal Reserve Board Revises Consumer Handbook on Adjustable Rate Mortgages, Letter #48-99, dated 6/3/99

Federal Reserve Board Updates Commentaries for Regulations M and Z, Letter #35-99, dated 4/13/99

Loans in Areas Having Special Flood Hazards: Revised Standard Flood Hazard Determination Form, Letter #29-99, dated 3/30/99

Loans in Areas Having Special Flood Hazards: New Communities Entering the National Flood Insurance Program, January 1998-January 1999, Letter #25-99, dated 3/17/99

Real Estate Settlement Procedures Act: HUD Policy Statement on Lender Payments to Mortgage Brokers, Letter #21-99, dated 3/12/99

Federal Reserve Board Amends Regulation C and Loan Application Register, Letter #113-98, dated 10/15/98

Home Mortgage Disclosure Act, 1998 Edition of A Guide to HMDA Reporting – Getting it Right!, Letter #53-98, dated 5/15/98

Truth in Lending Act: Revised Federal Reserve Board Staff Commentary on the Truth in Lending Act, Letter #39-98, dated 4/14/98

Truth in Lending Reimbursements: Reimbursable Violations of the Truth in Lending Act, Letter #20-98, dated 2/25/98

Home Mortgage Disclosure Act: Asset Threshold for Reporting Calendar Year 1998 HMDA Data, Letter #7-98, dated 1/14/98

Truth in Lending Act: Revisions to Regulation Z (Truth in Lending Act), Letter #127-97 (Revised), dated 12/16/97

Home Mortgage Disclosure Act: HMDA Data Reporting for Calendar Year 1997, Letter #121-97, dated 12/3/97

Loans in Areas Having Special Flood Hazards: Interagency Questions and Answers on Flood Insurance, Letter #77-97, dated 7/31/97

Fair Housing Regulation: FDIC Finalizes Fair Housing Regulation (Part 338 of the FDIC's Rules and Regulations), Letter #67-97, dated 7/14/97

Real Estate Settlement Procedures Act: Revisions to HUD's Special Information Booklet for Applicants of Residential Real Estate Loans, Letter #61-97, dated 6/20/97

Fair Credit Reporting Act: The Consumer Credit Reporting Reform Act of 1996, Letter #57-97, dated 6/2/97

Real Estate Settlement Procedures Act: HUD Seeks Comments on Proposed Revisions to Regulation X, Letter #56-97, dated 6/2/97

Requests for Relief from Reimbursement under the Truth in Lending Act, Letter # 19-97, dated 3/10/97

FINANCIAL INSTITUTION LETTERS (FIL) (cont'd)

Mortgage Loan Prequalifications: Help Guide for Financial Institutions, Letter #35-96 (Revised), dated 7/3/96

Home Mortgage Disclosure Act: A Guide to HMDA Reporting . Getting it Right, Letter #22-96, dated 4/15/96

New Staff Commentary on HMDA Reporting Requirements, Letter #6-96, dated 2/13/96

HMDA Data Required for Calendar Year 1996, Letter #2-96, dated 1/10/96

FEMA Standard Flood Hazard Determination Form (Part 339), Letter #53-95, dated 8/4/95

Home Mortgage Disclosure Act . Federal Reserve Board Amendments to Required Annual Reports of Lending Activity, Letter #84-94, dated 12/28/94

New FDIC Guide to Compliance with the Fair Housing Act, Equal Credit Opportunity Act, Letter #47-94, dated 7/7/94

Equal Credit Opportunity: Appraisals and Enforcement, Letter #12-94, dated 2/28/94

HMDA: Requirements Regarding Nondepository Mortgage Lenders and Applications Received Through Loan Brokers or Correspondents; Designations of Metropolitan Statistical Areas for 1994, Letter #69-93, dated 9/30/93

HMDA . Amendments to Regulation C, Letter #22-93, dated 3/26/93

Pamphlet on Home Mortgage Lending and Equal Treatment, Letter #19-93, dated 3/16/92

Fair Credit Reporting Act: Policy Statement on Prescreening by Financial Institutions, Letter #62-91, dated 12/13/91

Loan Servicing Errors in Adjustable Rate Loans, Letter #44-91, dated 9/13/91

Flood Insurance . Clarification of Recordkeeping Requirements, Letter #29-90, dated 4/30/90