

Introduction

Midwest Loan Solutions, Inc. (MLS) is committed to the highest standards of Federal and state borrower compliance. MLS requires all management, employees and third-party originators and vendors to follow these policies and to adhere to these standards.

The purpose of this policy is to ensure MLS and its third party originators are complying with the requirements of the provisions of Regulation Z and to implement borrower protection mechanisms as required by Federal regulation.

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout MLS' operations. In accordance with MLS' policy, the TILA-RESPA policy and procedures described herein shall apply to all residential mortgage transactions and represent the full scope of products, property types, branches and geographic locations.

Background

On November 20, 2013, the Consumer Financial Protection Bureau (CFPB) issued its final rule to integrate the Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA) disclosures and regulations. The final rule integrates existing disclosures with new requirements from the Dodd-Frank Act to improve consumer understanding of the mortgage process, aid in comparison shopping, and help to prevent surprises at the closing table. The new rule and changes became effective on October 3, 2015.

The TILA-RESPA rule consolidates four existing disclosures required under TILA and RESPA for closed-end credit transactions secured by real property into two forms:

- A Loan Estimate that must be delivered or placed in the mail no later than the third business day after receiving the consumer's application, and
- A Closing Disclosure that must be provided to the consumer at least three business days prior to consummation.

Review Requirement

MLS requires this policy and procedure to be reviewed no less than annually or when Federal regulation is amended and such amendments apply to MLS and its third party originators.

Application

The TILA-RESPA rule applies to most closed-end borrower credit transactions secured by real property.

However, some specific categories of loans are excluded from the rule. Lenders originating these types of mortgages must continue to use, as applicable, the GFE, HUD-1, and Truth-in-Lending disclosures required under current law. Specifically, the TILA-RESPA rule does not apply to:

- HELOCs
- Reverse mortgages
- Chattel-dwelling loans, such as loans secured by a mobile home or by a dwelling that is not attached to real property

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

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

Definitions

Application consists of the borrower's submission of the following six pieces of information to the third party originator:

- The borrower's name
- The borrower's income
- The borrower's social security number to obtain a credit report
- The property address
- An estimate of the value of the property
- The mortgage loan amount sought

Business Day is a day on which the lender's offices are open to the public for carrying out substantially all of its business functions for purposes of providing the Loan Estimate. MLS does not count Saturday as a business day for purposes of issuing disclosures.

For all other purposes, business day means all calendar days except Sundays and the legal public holidays:

- New Year's Day
- Birthday of Martin Luther King, Jr.
- Washington's Birthday
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veterans Day
- Thanksgiving Day
- Christmas Day

Four Federal legal holidays are identified by a specific date:

- New Year's Day, January 1
- Independence Day, July 4
- Veterans Day, November 11
- Christmas Day, December 25

When one of these holidays falls on a weekend, Federal offices and other entities might observe the holiday on the preceding Friday or following Monday. For purposes of disclosure receipt and rescission, the observed holiday is a business day.

Violations

The TILA-RESPA Final Rule introduces singular accountability and liability for timing, accuracy, and completeness of disclosures. Under TILA, there is a private right of action for violations that can include attorney's fees and costs. For failure to properly provide certain disclosures, statutory penalties may be imposed up to \$4,000. There is no private right of action for violations of the RESPA disclosure requirements.

The CFPB has enforcement jurisdiction for both TILA and RESPA, which includes the ability to impose penalties. Depending on the circumstances, penalties could include \$5,000 per day for a single violation, \$25,000 per day for violations shown to be reckless, and \$1 million per day for committing violations knowingly

Pre-Application Estimates of Terms or Costs

The TILA-RESPA rule does not prohibit MLS or its third party originators from providing a borrower with estimated terms or costs prior to the borrower receiving the Loan Estimate.

However, if an applicant is provided a written estimate of terms or costs specific to that borrower before the borrower receives the Loan Estimate, it must clearly and conspicuously state at the top of the front of the first page of the written estimate **"Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing the loan."**

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

- Must be in font size no smaller than 12-point font
- May not have headings, content, and format substantially similar to the Loan Estimate or the Closing Disclosure

Fee Variance

1. No Variance Limitation

For certain costs or terms, MLS and its third party originators are permitted to charge borrowers more than the amount disclosed on the Loan Estimate without any variance limitation.

These charges are:

- Prepaid interest; property insurance premiums; amounts placed into an escrow, impound, reserve or similar account.
- For services required by MLS or its third party originator if MLS or its third party originator permits the borrower to shop and the borrower selects a third-party service provider not on the written list of service providers.
- Charges paid to third-party service providers for services not required by MLS or its third party originator (may be paid to affiliates of MLS or its third party originator).

However, MLS or its third party originator may only charge borrowers more, with a valid change of circumstance, than the amount disclosed when the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to MLS or its third party originator at the time the disclosure was provided.

2. 10% Variance

In addition to the Loan Estimate, if the borrower is permitted to shop for a settlement service, MLS or its third party originator must provide the borrower with a written list of services for which the borrower can shop. This written list of providers is separate from the Loan Estimate, but must be provided within the same time frame and the list must:

- Identify at least one available settlement service provider for each service; and
- State that the borrower may choose a different provider of that service.

The settlement service providers identified on the written list must correspond to the settlement services for which the borrower can shop as disclosed on the Loan Estimate. If a changed circumstance causes additional services for which the borrower can shop to be required by MLS or its third party originator, MLS or its third party originator must disclose a new Settlement Service Provider List including at least one available settlement service provider for each added service. If a new Settlement Service Provider List is not provided to the borrower, the fee would fall under the 0% variance category.

MLS or its third party originator may also identify on the written list of providers those services for which the borrower is not permitted to shop, as long as those services are clearly and conspicuously distinguished from those services for which the borrower is permitted to shop.

Charges for third-party services and recording fees paid by or imposed on the borrower are grouped together and subject to a 10% cumulative variance. This means MLS or its third party originator may charge the borrower more than the amount disclosed on the Loan Estimate for any of these charges so long as the total sum of the charges added together does not exceed the sum of all such charges disclosed on the Loan Estimate by more than 10%. These charges are:

- Recording fees;
- Charges for third-party services where:
 - The charge is not paid to MLS or its third party originator or an affiliate; and
 - The borrower is permitted by MLS or its third party originator to shop for the third-party service, and the borrower selects a third-party service provider on the written list of service providers.

When MLS or its third party originator allows a borrower to shop for a third-party service and the borrower chooses a service provider not identified on the written list of providers, the charge is not subject to a variance limitation. When this occurs for a service that otherwise would be included in the 10% cumulative variance category, the charge is removed from consideration for purposes of determining the 10% variance level.

If MLS or its third party originator permits the borrower to shop for a required settlement service but the borrower either does not select a settlement service provider or chooses a settlement service provider identified by MLS or its third party originator on the written list of providers, then the amount charged is included in the sum of all such third-party charges paid by the borrower, and also is subject to the 10% cumulative variance.



MLS or its third party originator must compare the sum of the charges actually paid by or imposed on the borrower with the sum of the estimated charges on the Loan Estimate that are actually performed. If a service is not performed, the estimate for that charge should be removed from the total amount of estimated charges.

Whether an individual estimated charge is in good faith depends on whether the sum of all charges subject to that section increases by more than 10 percent, even if a particular charge does not increase by 10 percent. MLS or its third party originator may charge more than 10% in excess of an individual estimated charge in this category, so long as the sum of all charges is still within the 10% cumulative variance.

3. Zero Variance

For all other charges, MLS or its third party originator is not permitted to charge borrowers more than the amount disclosed on the Loan Estimate under any circumstances other than changed circumstances that permit a revised Loan Estimate.

These zero variance charges are:

- Fees paid to MLS, mortgage broker, or an affiliate of either
- Fees paid to an unaffiliated third party if MLS or its third party originator did not permit the borrower to shop for a third party service provider for a settlement service
- Transfer taxes

A charge is paid to MLS, mortgage broker, or an affiliate of either if it is retained by that person or entity. A charge is not paid to one of these entities when it receives money but passes it on to an unaffiliated third party.

The term affiliate is any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956.

If the amounts paid by the borrower at closing exceed the amounts disclosed on the Loan Estimate beyond the applicable variance threshold, MLS or its third party originator must refund the excess to the borrower no later than 60 calendar days after consummation.

- For charges subject to zero variance, any amount charged beyond the amount disclosed on the Loan Estimate must be refunded to the borrower.
- For charges subject to a 10% cumulative variance, to the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the Loan Estimate by more than 10%, the difference must be refunded to the borrower.

Other Disclosures

In addition to the Integrated Disclosures, the TILA-RESPA rule also changes some other post-consummation disclosures provided to borrowers by lenders and servicers: the Escrow Closing Notice and mortgage servicing transfer and partial payment notices.

Annual Percentage Rate (APR)

The annual percentage rate (APR) becomes inaccurate when the actual APR varies from the disclosed APR by more than:

- 1/8 of one percent in a regular transaction, or
- 1/4 of one percent in an irregular transaction

An irregular transaction under TILA has 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 period).

Delivery of Disclosures

MLS or its third party originator is responsible for ensuring that it delivers or places in the mail the Loan Estimate form no later than the third business day after the third party originator receives the borrower's application. If the Loan Estimate is not provided to the borrower in person, the borrower is considered to have received the Loan Estimate three business days after it is delivered or placed in the mail. MLS or its third party originator may rely on evidence that the borrower received the disclosures earlier than three business days. For example, if MLS or its third party originator sends the disclosures through mail on Monday and the borrower completes the signatures and dates on all of the disclosures and returns them on Tuesday, MLS or its third party originator could demonstrate that the disclosures were received on Tuesday.

The Loan Estimate must also be delivered or placed in the mail no later than the seventh business day before consummation of the transaction. MLS or its third party originator is also responsible for ensuring that the Loan Estimate and its delivery meet the content, delivery, and timing requirements of RESPA and TILA.

The three business day period applies to methods of electronic delivery, such as electronic disclosure. For example, if MLS or its third party originator sends the required disclosures through electronic disclosure on Monday, the borrower is considered to have received the disclosures on Thursday, three business days later. MLS or its third party originator may rely on evidence that the borrower received the electronically disclosed disclosures earlier. For example, if MLS or its third party originator issues the disclosures at 1 p.m. on Tuesday, the borrower completes the eSignatures and submits the disclosures back to MLS or its third party originator at 5 p.m. on the same day; the creditor could demonstrate that the disclosures were received on the same day.

MLS or its third party originator must also comply with the E-SIGN Act for purposes of the presumed receipt mailbox rule. For example, if MLS or its third party originator delivers the required disclosures to a borrower through electronic disclosure, but MLS or its third party originator did not obtain the borrower's consent to receive electronic disclosures prior to delivering the disclosures then MLS or its third party originator does not comply with the Rule.

The Rule defines the delivery of disclosure packages from MLS or its third party originator to borrowers as the time MLS or its third party originator places the disclosures in the mail or sends the eDisclosure package to the borrower. Due to this definition, the eConsent process has been updated to remain within regulatory

guideline. eConsent must be received from the borrower prior to the delivery of the disclosure package in order to use the presumed receipt mailbox rule.

Borrower's Intent to Proceed

MLS or its third party originator may not impose any fee on a borrower in connection with the borrower's application for a mortgage transaction until the borrower has received the Loan Estimate and has indicated an intent to proceed with the transaction.

This restriction includes limits on imposing:

- Application fees
- Appraisal fees
- Underwriting fees
- Other fees imposed on the borrower

The only exception to this exclusion is for a bona fide and reasonable fee for obtaining a borrower's credit report.

A borrower indicates an intent to proceed with the transaction when the borrower communicates, in any manner, that the borrower chooses to proceed after the Loan Estimate has been delivered, unless a particular manner of communication is required by the lender.

A borrower's silence is not indicative of intent to proceed. MLS or its third party originator must document this communication to satisfy the record retention requirements of the regulation.

A fee is imposed by a person if the person requires a borrower to provide a method for payment, even if the payment is not made at that time.

This would include, for example:

- MLS or its third party originator requiring the borrower to provide a check to pay for a processing fee before the borrower receives the Loan Estimate, even if the check is not to be cashed until after the Loan Estimate is received and the borrower has indicated an intent to proceed.
- MLS or its third party originator requiring the borrower to provide a credit card number for a processing fee before the borrower receives the Loan Estimate, even if the credit card will not be charged until after the Loan Estimate is received and the borrower has indicated an intent to proceed.

Disclosure of NMLSR ID#

Regulation Z requires the name and NMLS number of the loan originator organization and the individual loan originator (with primary responsibility for the origination of the loan) to appear on the following documents, in connection with a closed-end credit transaction secured by a dwelling:

- Loan Estimate
- Closing Disclosure
- Loan application
- Promissory note or loan contract



- Security instrument

MLS has ensured the technology in place adheres to these requirements. All required documents auto-populate with the NMLS ID information for the Loan Originator and MLS or its third party originator.

Loan Estimate

For closed-end credit transactions secured by real property (other than reverse mortgages), MLS or its third party originator is required to provide the borrower with good faith estimates of credit costs and transaction terms on the Loan Estimate. This form integrates and replaces the existing RESPA GFE and the initial TIL for these transactions. MLS or its third party originator is required to provide the Loan Estimate within three business days after the receipt of the borrower's loan application.

The definition of application does not prevent MLS or its third party originator from collecting whatever additional information it deems necessary in connection with the request for the extension of credit. However, once MLS or its third party originator has received the six pieces of information previously defined, it has an application for purposes of the requirement for delivery of the Loan Estimate to the borrower, including the three business day timing requirement.

MLS or its third party originator may not condition providing the Loan Estimate on a borrower submitting documents verifying information related to the borrower's mortgage loan application before providing the Loan Estimate.

For example:

- MLS or its third party originator may ask for the sale price and address of the property, but may not require the borrower to provide a purchase and sale agreement to support the information the borrower provides orally before MLS or its third party originator provides the Loan Estimate.
- MLS or its third party originator may ask for the names, account numbers, and balances of the borrower's checking and savings accounts, but MLS or its third party originator may not require the borrower to provide bank statements or documentation to support the information orally provided by the borrower before MLS or its third party originator provides the Loan Estimate.

If MLS or its third party originator determines within the three business day period that the borrower's application will not or cannot be approved on the terms requested by the borrower, or if the borrower withdraws the application within that period, MLS or its third party originator is not required to provide a Loan Estimate. However, if MLS or its third party originator does not provide the Loan Estimate, it will not have complied with the Loan Estimate requirements under Regulation Z if it later consummates the transaction on the terms originally applied for by the borrower.

If a borrower amends an application and MLS or its third party originator determines the amended application may proceed, then MLS or its third party originator is required to comply with the Loan Estimate requirements, including delivering or mailing a Loan Estimate within three business days of receiving the amended or resubmitted application.

MLS requires all loans having received all six pieces of information to create a full loan application to have initial loan disclosures issued within three business days following the date of application. If the loan is to be withdrawn or declined, this must be completed prior to the end of business on the third business day from the date of application.

MLS does not accept bona fide personal financial emergencies as a method to waive the waiting period for the Loan Estimate. As a requirement to Investor stipulations, these loans are not saleable and will not be executed or purchased by MLS.

1. Good Faith Requirement and Fee Variance

The Loan Estimate must contain a good faith estimate of credit costs and transaction terms. If any information necessary for an accurate disclosure is unknown, MLS or its third party originator must make the disclosure based on the best information reasonably available at the time the disclosure is provided to the borrower, and use due diligence in obtaining the information.

Whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the borrower in the Closing Disclosure.

Generally, if the charge paid by or imposed on the borrower exceeds the amount originally disclosed on the Loan Estimate it is not in good faith, regardless of whether MLS or its third party originator later discovers a technical error, miscalculation, or underestimation of a charge.

However, a Loan Estimate is considered to be in good faith if the lender charges the borrower less than the amount disclosed on the Loan Estimate, without regard to any variance limitations.

2. Mortgage Servicing Transfer Notice

The disclosures related to the transfer of mortgage servicing generally are required for any mortgage loan secured by a first lien. A lender that receives an application for a first lien mortgage loan is required to provide the servicing disclosure statement to the borrower within three days after receipt of the application. The disclosure statement must advise whether the servicing of the mortgage loan may be assigned, sold, or transferred to any other person at any time.

3. Revisions and Corrections to the Loan Estimate

MLS or its third party originator may only use revised Loan Estimates when specific requirements are met. MLS or its third party originator may not issue revisions to Loan Estimates because of later discovery of technical errors, miscalculations, or underestimations of charges. MLS or its third party originator is permitted to issue revised Loan Estimates only in certain situations such as when valid changed circumstances result in increased charges.

A. Changed Circumstances

MLS or its third party originator is permitted to provide to the borrower revised Loan Estimates (and use them to compare estimated amounts to amounts actually charged for purposes of determining good faith) only in certain specific circumstances:



- Changed circumstances that occur after the Loan Estimate is provided to the borrower cause estimated settlement charges to increase more than is permitted under the TILA-RESPA rule
- Changed circumstances that occur after the Loan Estimate is provided to the borrower affect the borrower's eligibility for the terms for which the borrower applied or the value of the security for the loan
- Revisions to the credit terms or the settlement are requested by the borrower
- The interest rate was not locked when the Loan Estimate was provided, and locking the rate causes the points or lender credits disclosed on the Loan Estimate to change
- The borrower indicates an intent to proceed with the transaction more than 10 business days after the Loan Estimate was originally provided
- The loan is a new construction loan, and settlement is delayed by more than 60 calendar days, if the original Loan Estimate states clearly and conspicuously that at any time prior to 60 calendar days before consummation, MLS or its third party originator may issue revised disclosures

A changed circumstance for purposes of a revised Loan Estimate is:

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the borrower or transaction
- Information specific to the borrower or transaction that MLS or its third party originator relied upon when providing the Loan Estimate and that was inaccurate or changed after the disclosures were provided
- New information specific to the borrower or transaction that MLS or its third party originator did not rely on when providing the Loan Estimate

MLS or its third party originator may provide and use a revised Loan Estimate redisclosing a settlement charge if changed circumstances cause the estimated charge to increase or, in the case of charges subject to the 10% cumulative variance, cause the sum of those charges to increase by more than the 10% variance.

MLS or its third party originator is not required to collect all six pieces of information constituting the borrower's application prior to issuing the Loan Estimate. However, MLS or its third party originator is presumed to have collected this information prior to providing the Loan Estimate and may not later collect it and claim a changed circumstance. For example, if MLS or its third party originator provides a Loan Estimate prior to receiving the property address from the borrower, MLS or its third party originator cannot subsequently claim that the receipt of the property address is a changed circumstance. MLS' policy requires all six pieces of information to be obtained from the borrower(s) prior to the issuance of the Loan Estimate. Exceptions to this policy may be granted on a case-by-case basis when a borrower requests a Loan Estimate prior to providing the six pieces of information required for a full application.

It is possible for one or more third-party charges subject to a 10% cumulative variance to increase due to valid changed circumstances. MLS or its third party originator is permitted to provide and



rely upon a revised Loan Estimate only when the cumulative effect of the changed circumstance results in an increase to the sum of all costs subject to the variance by more than 10%.

MLS or its third party originator may also provide and use a revised Loan Estimate if a changed circumstance affected the borrower's creditworthiness or the value of the security for the loan, and resulted in the borrower being ineligible for an estimated loan term previously disclosed. This may occur when a changed circumstance causes a change in the borrower's eligibility for specific loan terms disclosed on the Loan Estimate, which in turn results in increased cost for a settlement service beyond the applicable variance threshold.

MLS or its third party originator may use a revised estimate of a charge if the borrower requests revisions to the credit terms or settlement that affect items disclosed on the Loan Estimate and cause an estimated charge to increase. Providing a revised Loan Estimate allows lenders to compare the updated figures for charges that have increased due to an event that allows for redisclosure to the amount actually charged for those services. If amounts decrease or increase only to an extent that does not exceed the applicable variance, the original Loan Estimate is still deemed to be in good faith and redisclosure is not permitted.

MLS or its third party originator may use a revised Loan Estimate if the interest rate for the loan was not locked when the Loan Estimate was provided and, upon being locked at some later time, the interest rate as well as points or lender credits for the mortgage loan change. The lender is required to provide a revised Loan Estimate no later than three business days after the date the interest rate is locked, and may use the revised Loan Estimate to compare to points and lender credits charged. The revised Loan Estimate must reflect the revised interest rate as well as any revisions to the points disclosed on the Loan Estimate, lender credits, and any other interest rate dependent charges and terms that have changed due to the new interest rate.

Rate lock extensions for loans covered by TRID will always require redisclosure regardless if lock extension fee will be charged to the borrower or not. The rate lock expiration reflected on the most recently issued Loan Estimate must be valid through the date of disbursement of funds for the loan. MLS will diligently pursue all normal processing procedures to obtain approval and funding of each loan file within the rate lock period. MLS will not be responsible for lost rates due to delays caused by circumstances beyond our control such as, but not limited to, borrower, seller, realtor or third party service provider delays.

If the borrower indicates an intent to proceed with the transaction more than 10 business days after the Loan Estimate was delivered or placed in the mail to the borrower, MLS or its third party originator may use a revised Loan Estimate. No justification is required for the change to the original estimate of a charge other than the lapse of 10 business days.

MLS or its third party originator may also use a revised Loan Estimate where the transaction involves financing of new construction and MLS or its third party originator reasonably expects that settlement will occur more than 60 calendar days after the original Loan Estimate has been

provided. MLS or its third party originator may use revised Loan Estimates in this circumstance only when the original Loan Estimate clearly and conspicuously stated that at any time prior to 60 days before consummation MLS or its third party originator may issue revised disclosures.

B. Timing for Revisions to the Loan Estimate

The general rule is that MLS or its third party originator must deliver or place in the mail the revised Loan Estimate to the borrower no later than three business days after receiving the information sufficient to establish that one of the reasons for the revision described above has occurred.

MLS or its third party originator may not provide a revised Loan Estimate on or after the date it provides the Closing Disclosure. MLS or its third party originator must ensure that the borrower receives the revised Loan Estimate no later than four business days prior to consummation. If MLS or its third party originator is mailing the revised Loan Estimate and relying upon the 3 business day mailbox rule, MLS or its third party originator would need to place in the mail the Loan Estimate no later than seven business days before consummation of the transaction to allow 3 business days for receipt. When a revised Loan Estimate is provided in person, it is considered received by the borrower on the day it is provided. If it is mailed or delivered electronically, the borrower is considered to have received it three business days after it is delivered or placed in the mail. However, if MLS or its third party originator has evidence that the borrower received the revised Loan Estimate earlier than three business days after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date.

MLS or its third party originator may not provide a revised Loan Estimate on or after the date the lender provides the borrower with the Closing Disclosure. Because the Closing Disclosure must be provided to the borrower no later than three business days before consummation, this means the borrower must receive a revised Loan Estimate no later than four business days prior to consummation.

4. Breakdown of the Loan Estimate

A. Page 1

Page 1 of the Loan Estimate includes general information, a Loan Terms table with descriptions of applicable information about the loan, a Projected Payments table, a Costs at Closing table, and a link for borrowers to obtain more information about loans secured by real property at a website maintained by the Bureau.

Page 1 of the Loan Estimate includes the title “Loan Estimate” and a statement of “Save this Loan Estimate to compare with your Closing Disclosure.” The top of page 1 also includes the name and address of MLS or its third party originator. A logo or slogan can be used along with MLS or its third party originator’s name and address, so long as the logo or slogan does not exceed the space provided for that information.

B. Page 2

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



- A good-faith itemization of the Loan Costs and Other Costs associated with the loan.
- A Calculating Cash to Close table to show the borrower how the amount of cash needed at closing is calculated.
- For transactions with adjustable monthly payments, an Adjustable Payment (AP) Table with relevant information about how the monthly payments will change.
- For transactions with adjustable interest rates, an Adjustable Interest Rate (AIR) Table with relevant information about how the interest rate will change.

The items associated with the mortgage are broken down into two general types, Loan Costs and Other Costs. Generally, Loan Costs are those costs paid by the borrower to MLS or its third party originator and third-party providers of services MLS or its third party originator requires to be obtained by the borrower during the origination of the loan. Other Costs include taxes, governmental recording fees, and certain other payments involved in the real estate closing process.

Items that are a component of title insurance must include the introductory description of Title.

If State law requires additional disclosures, those additional disclosures may be made on a document whose pages are separate from, and not presented as part of, the Loan Estimate.

C. Page 3

Page 3 of the Loan Estimate contains Contact information, a Comparisons table, an Other Considerations table, and, if desired, a Signature Statement for the borrower to sign to acknowledge receipt.

In transactions involving new construction, this page may include a clear and conspicuous statement that MLS or its third party originator may issue a revised disclosure any time prior to 60 days before consummation if the lender reasonably expects that settlement will occur more than 60 days after the provision of the initial Loan Estimate.

Closing Disclosure

For loans that require a Loan Estimate and that proceed to closing, MLS or its third party originator must provide a final disclosure reflecting the actual terms of the transaction called the Closing Disclosure. The form integrated and replaced the existing HUD-1 and the final TIL disclosure for these transactions. MLS or its third party originator is required to ensure that the borrower receives the Closing Disclosure no later than three business days before consummation of the loan.

The Closing Disclosure must contain the actual terms and costs of the transaction. MLS or its third party originator may estimate disclosures using the best information reasonably available when the actual term or cost is not reasonably available to the lender at the time the disclosure is made. However, MLS or its third party originator must act in good faith and use due diligence in obtaining the information. MLS or its third party originator may rely on the representations of other parties in obtaining the information, including, for

example, the settlement agent. MLS or its third party originator is required to provide corrected disclosures containing the actual terms of the transaction at or before consummation.

If the actual terms or costs of the transaction change prior to consummation, MLS or its third party originator must provide a corrected disclosure that contains the actual terms of the transaction and complies with the other requirements of the Rule, including the timing requirements, and requirements for providing corrected disclosures due to subsequent changes. If MLS or its third party originator provides a corrected disclosure, it may also be required to provide the borrower with an additional three business day waiting period prior to consummation.

1. Delivery of the Closing Disclosure

MLS or its third party originator is responsible for ensuring that the borrower receives the Closing Disclosure form no later than three business days before consummation. MLS or its third party originator is also responsible for ensuring that the Closing Disclosure meets the content, delivery, and timing requirements of the Rule.

Consummation may commonly occur at the same time as closing or settlement, but it is a legally distinct event. Consummation occurs when the borrower becomes contractually obligated to the lender on the loan, not, for example, when the borrower becomes contractually obligated to a seller on a real estate transaction.

The point in time when a borrower becomes contractually obligated to the lender on the loan depends on applicable State law. MLS or its third party originator must verify the applicable State laws to determine when consummation will occur, and make sure delivery of the Closing Disclosure occurs at least three business days before this event.

To ensure the borrower receives the Closing Disclosure on time, MLS or its third party originator must arrange for delivery as follows:

- By providing it to the borrower in person
- By mailing, or by other delivery methods, including email

MLS or its third party originator may use electronic delivery methods subject to compliance with the borrower consent and other applicable provisions of the E-SIGN Act. MLS or its third party originator must ensure that the borrower receives the Closing Disclosure at least three business days prior to consummation.

If the Closing Disclosure is provided in person, it is considered received by the borrower on the day it is provided. If it is mailed or delivered electronically, the borrower is considered to have received the Closing Disclosure three business days after it is delivered or placed in the mail. However, if MLS or its third party originator has evidence that the borrower received the Closing Disclosure earlier than three business days after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date.

The settlement agent is required to provide the seller with the Closing Disclosure reflecting the actual terms of the seller's transaction. The settlement agent may comply with this requirement by providing the seller with a copy of the Closing Disclosure provided to the borrower (buyer) if it also contains information relating to the seller's transaction. The settlement agent may also provide the seller with a separate disclosure, including only the information applicable to the seller's transaction from the Closing Disclosure. However, if the seller's disclosure is provided in a separate document, the settlement agent has to provide the lender with a signed copy of the disclosure provided to the seller. The settlement agent must provide the seller its copy of the Closing Disclosure no later than the day of consummation.

In rescindable transactions, the Closing Disclosure must be given separately to each borrower who has the right to rescind under TILA. This may also be governed by state law.

MLS or its third party originator will provide the Closing Disclosure to all borrowers and rescindable parties once loan figures and fees have been verified with the settlement agent. Settlement agents will be responsible for providing the Seller Closing Disclosure for purchase transactions to the seller and to MLS or its third party originator.

2. Revised Closing Disclosure

MLS or its third party originator must redisclose terms or costs on the Closing Disclosure if certain changes occur to the transaction after the Closing Disclosure was first provided that cause the disclosures to become inaccurate. MLS or its third party originator must ensure that the borrower receives a corrected Closing Disclosure at or before consummation.

There are three categories of changes that require a corrected Closing Disclosure containing all changed terms:

- Changes that occur before consummation that require a new three business day waiting period
- Changes that occur before consummation and do not require a new three business day waiting period
- Changes that occur after consummation

The three business day waiting period requirement applies to a corrected Closing Disclosure that is provided when there are:

- Changes to the loan's APR
- Changes to the loan product (including changes to the loan product, loan feature or loan type as outlined below)
- The addition of a prepayment penalty

Loan Program

- Adjustable Rate
- Step Rate
- Fixed Rate



Loan Features

- Negative Amortization
- Interest Only
- Step Payment
- Balloon Payment
- Seasonal Payment

Loan Types

- Conventional
- FHA
- VA
- Other

MLS does not offer any product types with a prepayment penalty, so this loan file update requiring a new waiting period will not apply.

Currently, MLS will allow changes to the Closing Disclosure after the issuance of the initial Closing Disclosure. Minor changes and clerical updates must be reflected on a revised Closing Disclosure presented to the borrower at or prior to consummation. For any other changes before consummation that do not fall under the three categories above, MLS or its third party originator must provide a corrected Closing Disclosure with any terms or costs that have changed and ensure that the borrower receives it. For these changes, there is no additional three business day waiting period required. MLS or its third party originator must ensure only that the borrower receives the revised Closing Disclosure at or before consummation.

3. Breakdown of the Closing Disclosure**A. Page 1**

General information, the Loan Terms table, the Projected Payments table, and the Costs at Closing table are disclosed on the first page of the Closing Disclosure.

B. Page 2

The Loan Costs and Other Costs tables are disclosed under the heading Closing Cost Details on page 2 of the Closing Disclosure. The number of items in the Loan Costs and Other Costs tables can be expanded and deleted to accommodate the disclosure of additional line items and keep the Loan Costs and Other Costs tables on page 2 of the Closing Disclosure.

Items that are required to be disclosed even if they are not charged to the borrower (such as Points in the Origination Charges subheading) cannot be deleted.

The Loan Costs and Other Costs tables can be disclosed on two separate pages of the Closing Disclosure, but only if the page cannot accommodate all of the costs required to be disclosed on one page. When used, these pages are numbered page 2a and 2b.



C. Page 3

On page 3 of the Closing Disclosure, the Calculating Cash to Close table and Summaries of Transactions tables are disclosed. For transactions without a seller, a Payoffs and Payments table may be substituted for the Summaries of Transactions table and placed before the alternative Calculating Cash to Close table.

D. Page 4

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

E. Page 5

Disclose Loan Calculations, Other Disclosures, Questions Notice, Contact Information, and Confirm Receipt tables on page 5 of the Closing Disclosure.

Disclosures Required Post-Consummation

MLS or its third party originator must provide a corrected Closing Disclosure if an event in connection with the settlement occurs during the 30-calendar-day period after consummation that causes the Closing Disclosure to become inaccurate and results in a change to an amount paid by the borrower from what was previously disclosed. When a post-consummation event requires a corrected Closing Disclosure, MLS or its third party originator must deliver or place in the mail a corrected Closing Disclosure not later than 30 calendar days after receiving information sufficient to establish that such an event has occurred.

MLS or its third party originator must also provide a revised Closing Disclosure to correct non-numerical clerical errors and document refunds for variance violations no later than 60 calendar days after consummation.

If MLS or its third party originator cures a variance violation by providing a refund to the borrower, MLS or its third party originator must deliver or place in the mail a corrected Closing Disclosure that reflects the refund no later than 60 calendar days after consummation.

Settlement agents must provide a revised Closing Disclosure if an event related to the settlement occurs during the 30-day period after consummation that causes the Closing Disclosure to become inaccurate and results in a change to an amount actually paid by the seller from what was previously disclosed. The settlement agent must deliver or place in the mail a corrected Closing Disclosure not later than 30 calendar days after receiving information sufficient to establish that such an event has occurred.

Escrow Closing Notice

For loans subject to the Escrow Closing Notice requirement, MLS or its third party originator or the servicer must provide borrowers with a notice no later than three business days before the borrower's escrow account is canceled.

The Escrow Closing Notice must be provided prior to cancelling an escrow account to any borrowers for whom an escrow account was established in connection with a closed-end borrower credit transaction secured by a first lien on real property or a dwelling, except for reverse mortgages.

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

- Lenders and servicers are not required to provide the notice if the escrow account that is being cancelled was established solely in connection with the borrower's delinquency or default on the underlying debt obligation.
- Lenders and servicers are not required to provide the notice when the underlying debt obligation for which an escrow account was established is terminated, including by repayment, refinancing, rescission, and foreclosure.

MLS or its third party originator and servicers must disclose certain information on the Escrow Closing Notice and may optionally disclose certain additional information.

MLS or its third party originator or the servicer must disclose:

- The date on which the account will be closed
- That an escrow account may also be called an impound or trust account
- The reason why the escrow account will be closed
- That without an escrow account, the borrower must pay all property costs, such as taxes and homeowner's insurance, directly, possibly in one or two large payments a year
- A table, titled "Cost to you," that contains an itemization of the amount of any fee MLS or its third party originator or the servicer imposes on the borrower in connection with the closure of the borrower's escrow account, labeled "Escrow Closing Fee," and a statement that the fee is for closing the escrow account
- Under the reference "In the future":
 - The consequences if the borrower fails to pay property costs, including the actions that a State or local government may take if property taxes are not paid and the actions the lender or servicer may take if the borrower does not pay some or all property costs
 - A telephone number that the borrower can use to request additional information about the cancellation of the escrow account
 - Whether MLS or its third party originator or the servicer offers the option of keeping the escrow account open and, as applicable, a telephone number the borrower can use to request that the account be kept open
 - Whether there is a cut-off date by which the borrower can request that the account be kept open.

MLS or its third party originator or the servicer may also, at its option, disclose:

- MLS or its third party originator's or the servicer's name or logo
- The borrower's name, phone number, mailing address and property address
- The issue date of the notice
- The loan number or the borrower's account number



In addition, the disclosures must:

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

MLS or its third party originator must send the Escrow Closing Notice when the borrower requests cancellation. MLS or its third party originator or servicer must ensure that the borrower receives the Escrow Closing Notice no later than three business days before the borrower's escrow account is closed.

When the escrow account is cancelled for any other reason than borrower request, MLS or its third party originator or the servicer must ensure that the borrower receives the Escrow Closing Notice no later than 30 business days before borrower's escrow account is closed.

Mailbox rule applies. If the notice is not provided to the borrower in person, the borrower is considered to have received the disclosures three business days after they are delivered or placed in the mail.

Partial Payment Policies

MLS or its third party originator is required by existing Regulation Z to provide mortgage transfer notices when the ownership of a mortgage loan is being transferred. The notice must include information related to the partial payment policy that will apply to the mortgage loan. This post-consummation partial payment disclosure is required for a closed-end borrower credit transaction secured by a dwelling or real property, other than a reverse mortgage.

The partial payment disclosure must include:

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

Record Retention

MLS or its third party originator must retain copies of the Closing Disclosure (and all documents related to the Closing Disclosure) for five years after consummation.

MLS or its third party originator, or the servicer if applicable, must retain the Post-Consummation Escrow Cancellation Notice (Escrow Closing Notice) and the Post-Consummation Partial Payment Policy disclosure for two years.

For all other evidence of compliance with the Integrated Disclosure provisions of Regulation Z (including the Loan Estimate) MLS or its third party originator must maintain records for three years after consummation of the transaction.

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

Both MLS or its third party originator and such owner or servicer shall retain the Closing Disclosure for the remainder of the five-year period.