



TILA/ RESPA Integrated Disclosure Rule

Vol. 2

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This is the second in our series of planned communications regarding the Truth in Lending Act (TILA)/Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure Rule (Rule) that will be effective for most mortgage applications taken on or after August 1, 2015.

By now, we trust that every approved Correspondent is deeply immersed in planning and testing system/process changes to ensure implementation of the Rule, internally and/or with your loan origination system vendor (LOS Vendor). As in the past, Citi will continue to rely on each Correspondent's legal compliance (and all other) representations and warranties under the Loan Purchase Agreement*.

As stated in our January announcement, **Citi's goal is to make your transition to the Rule as streamlined as possible for Loans intended for sale to us.** We are nearing conclusion of our first round of internal Correspondent channel systems development around Rule implementation and will soon turn our attention to communicating an initial set of Citi Correspondent Lending best practices/requirements to help you align your Rule implementation with our process.

In the meantime, we thought it might be helpful to share the chart below highlighting some of the changes Citi has identified for its Retail originations process to assist you in determining how your Rule implementation might impact your relationship with us. As has been the case in the past with legal/regulatory/investor compliance changes, much of our Correspondent process is developed to align with the Citi Retail process (to the extent possible). Please keep the following in mind as you continue your process/system planning and development:

Initial Disclosures	
Current Process	What's Changing
Lender must provide the borrower an initial Good Faith Estimate (GFE) and Truth in Lending Disclosure (TIL) when the borrower has provided the lender with the required information in connection with the lender's pre-qualification or full application review.	Lender must provide the borrower a Loan Estimate when a borrower identifies a specific property and all other loan application requirements have been met.
"Cash to Close" estimate is not included on the GFE and TIL disclosures.	The Loan Estimate includes a "Cash to Close" estimate.
Borrowers see settlement services fees listed in random order on the GFE.	Borrowers must see settlement service fees listed alphabetically under different sub-categories on the Loan Estimate and the Closing Disclosure.
If the GFE is re-disclosed, the borrower's 10 day shopping period starts over.	If the Loan Estimate is re-disclosed, the borrower's 10 day shopping period will not start over.

Escrow Projected Amounts	
Current Process	What's Changing
The GFE and TIL disclose taxes, insurance and other costs <u>only</u> if those items will be escrowed.	The new Loan Estimate and the Closing Disclosure require disclosure of <u>estimated</u> taxes, insurance and other items to borrowers, even if those items will not be escrowed.
Changed Circumstances	
Current Process	What's Changing
Certain changed circumstances and borrower requested changes can trigger a revised GFE that must be provided by the Correspondent within three general business days after receiving notice of the changed circumstances.	Certain changed circumstances and borrower requested changes can trigger either a revised Loan Estimate or Closing Disclosure, depending on where the borrower is in the application/loan closing process. Be aware of the rules around three (3) business days re-disclosure for most changed circumstances and borrower requested changes.
For fees subject to the 10% tolerance, re-disclosure of the GFE is required within three (3) business days of a changed circumstance regardless of whether the 10% threshold is reached.	For fees subject to the 10% tolerance, re-disclosure of the Loan Estimate or Closing Disclosure will not be required until the aggregate total of changes reaches 10% , (unless the change is prompted by a borrower request).
Closing Disclosure	
Current Process	What's Changing
The settlement agent or closing attorney is responsible for preparing the final HUD-1.	Either the settlement agent/attorney or the lender is responsible for properly completing the Closing Disclosure, including any revisions. Citi will rely on each Correspondent's representations and warranties and will hold each Correspondent responsible for Closing Disclosure accuracy and completion.
The final HUD-1 contains all borrower and seller details on a single document.	On financed home purchase transactions, a borrower and/or seller can request separate versions of the Closing Disclosure. The details of the Seller's portion of the transaction can be disclosed on a separate Closing Disclosure and will not be included in the borrower's Closing Disclosure. If separate borrower and seller versions of the Closing Disclosure are used, Citi will require both Closing Disclosures be signed and included in the Loan package.
The borrower may request to review the final HUD-1 one business day before closing.	Borrowers must receive the Closing Disclosure at least three (3) business days prior to loan closing , giving them more time to compare their Closing Disclosure with their Loan Estimate.
The TIL may be re-disclosed, and loans cannot close until at least three precise business days have elapsed from the borrower's receipt of any subsequent TIL disclosures.	Once a Closing Disclosure is issued, no additional Loan Estimates can be provided to a borrower. If changes occur, those changes must be disclosed on a revised Closing Disclosure, where permitted under the Rule.

<p>A new TIL must be sent to the borrower if the APR increases or decreases more than 0.125% for fixed rate products (0.25% for ARM products). Also, a new TIL disclosure may also be required in a number of other instances, even if the APR has not changed beyond the maximum threshold.</p>	<p>See the Rule for Closing Disclosure re-disclosure requirements. Among the re-disclosure requirements are the following which invoke an additional three-day waiting period:</p> <ul style="list-style-type: none"> ◇ If the APR increases more than 0.125% for fixed rate products (0.25% for ARM products). ◇ The loan product has changed (e.g. fixed rate has changed to an adjustable rate).
<p>Certain fees that a borrower cannot shop for, such as an appraisal fee, have a 10% tolerance.</p>	<p>Certain fees that a borrower cannot shop for, such as appraisal fees, now have a zero percent tolerance. <i>Note:</i> Refer to the CFPB website for a list of fees that cannot increase from what was originally disclosed on the Loan Estimate (unless there is a valid changed circumstance or borrower requested change).</p>

As a reminder, complete information on the Rule and the new forms may be found on the [CFPB website](#).

We are communicating the most recent Rule information available to us; however, the CFPB is still issuing clarifications that may impact our process and policies. If you have any questions regarding the Rule, including differing interpretations, please do not hesitate to contact your Account Executive or the National Client Services Team at 800-967-2205. We want this transition to the Rule to be as smooth as possible for everyone.

*Capitalized terms not defined in this announcement are defined in the provisions of the Citibank Correspondent Loan Purchase Agreement and Citibank Correspondent Manual governing each Loan submitted by each Correspondent for Citibank's purchase ("Loan Purchase Agreement").