



Primer on How to Disclose Discounted Premium, Simultaneous Issue Rate on the Integrated Mortgage Disclosures in Colorado

Question – How will I Disclose Title Insurance Premiums on a CDF in “Seller Pay” Scenarios that also include a Simultaneous Issuance rate discount to be compliant with the Consumer Financial Protection Bureau (CFPB) Know-Before-You-Owe Rule?

Answer – The CFPB has acknowledged that its calculation methodology would violate many State laws. The amounts quoted should be in accordance with the purchase and sale agreement between the consumer and seller or common practice in your state.

Pursuant to 1026.37 (g) (4) **Simultaneous Title Insurance Premium Rate in Purchase Transactions:**

- the CFPB calculation formula requires that the lender’s title insurance premium (LTP) be disclosed at its full rate, and,
- the owner’s title insurance premium (OTP) be disclosed as the difference between the owner’s title insurance premium and any flat fee simultaneous issuance cost for the lenders coverage, then,
- deducting the full premium for lenders for the lenders coverage.

Colorado is historically a Seller Pay state and we offer a simultaneous issue discount when an Owner’s Title Insurance Policy is purchased in conjunction with the issuance of a Lender’s Title Insurance Policy.

Colorado

Here is how the rule works when applied to a transaction where the sales price is \$200,000 and there is a \$190,000 loan:

The Rule

vs.

Reality

OTP on Closing Disclosure = \$368.00
 (OTP Premium) \$1,237.00
 (LTP Simultaneous Premium) + \$350.00
 (Full LTP Premium) - \$1,219.00

OTP Actually Charged = \$1,237.00
 (OTP Premium)

LTP on Closing Disclosure = \$1,219.00
 (Full LTP Premium, with no discounts for Simultaneous Issue)

LTP Actually Charged = \$350.00
 (LTP Simultaneous Premium)

Terminology Key:
 OTP: Owner’s Title Insurance Policy
 LTP: Lender’s Title Insurance Policy

LTP Simultaneous Premium: a discounted lender’s title insurance premium that is issued in accordance to promulgated state rates or insurance company filed rates when both a lender’s and owner’s title insurance policies are simultaneously issued



TITLE COMPANY

of the rockies

Pursuant to (1026.38) (f) & (g) **Seller Pays for Owner Title Insurance policy on behalf of buyer**, the bureau has offered three ways to disclose the premium:

1. The remaining credit could be applied to any other title insurance cost, including title insurance cost.
2. The remaining credit can be considered to be a general seller credit and disclosed as such in the summaries of transactions table on page 3 of the Closing Disclosure.
3. A credit specified as the remaining amount for the Owner's Title Insurance cost in the Summaries of transaction on page 3 of the Closing Disclosure which should be labeled as, "simultaneous issue credit" in the Summaries of Transactions.

Disclosure Dilemma

The American Land Title Association said it believes that the rule's requirement that the Closing Disclosure provide inaccurate charges for title insurance premiums is inconsistent with state law or regulation in 21 states: Alabama, Alaska, Arizona, California, **Colorado**, Florida, Idaho, Kansas, Michigan, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, Ohio, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming. The CFPB addressed that, yes, the disclosure is wrong in the majority of states. The problem is that the rule almost flips the price the seller and purchaser are paying for the title insurance policy.

Fee Naming

On the disclosures, any reference to a cost associated with title insurance must be preceded by: "Title – [description of fee]".

Loan Policy

As a reminder, the loan policy should be disclosed on the "Services you can shop for category." The loan policy should be calculated as the full premium without any adjustment that might be made for the simultaneous purchase of an owner's title insurance policy and whether the buyer or seller is paying. The enhanced policy or endorsements can be used if the creditor knows that these products will be purchased.

Owner's Policy

Meanwhile, disclosure of the owner's policy is a bit more complicated. The owner's policy should be disclosed in the "Other" category and should be calculated by adding the simultaneous issuance premium to the full owner's title insurance premium, and then deducting the full premium for the lender's coverage. The owner's policy must be listed as "optional" on the Loan Estimate and Closing Disclosure.

Settlement Statements

Colorado is one of only three states that maintains state promulgated settlement statements. Historical practice is that Colorado settlement agents utilize those forms (or slight variations of those forms) for the benefit of Colorado real estate brokers. Accordingly, the ALTA Settlement Statement might be acceptable for use in Colorado, but likely not preferred over the commonly used Colorado state settlement statement forms.

Effective Date

The TRID (TILA-RESPA Integrated Disclosure) implementation went into effect October 3, 2015.

Example CDF Attached (demonstrating the full OTP-LTP disclosure and credit-debit formula)

For instructive purposes only.

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information		Transaction Information		Loan Information	
Date Issued		Borrower	Paul Borrower	Loan Term	
Closing Date	12/20/2015		1 Somewhere Place	Purpose	
Disbursement Date			Anywhere, USA 11111	Product	
Settlement Agent	Title Company of the Rockies	Seller	Cash N. Out	Loan Type	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #	0800000		PO Box 1		<input type="checkbox"/> VA <input type="checkbox"/> _____
Property	1 Bent Creek Drive, Bldg. Z, Dillon, CO 80435	Lender	Vail, CO 81658	Loan ID #	5555555
Sale Price	\$194,600.00		Local Bank N.A.	MIC #	

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$152,000	NO
Interest Rate		NO
Monthly Principal & Interest <i>See Projected payments below for your Estimated Total Monthly Payment</i>		NO
Prepayment Penalty		NO
Balloon Payment		NO

For Instructive Purposes Only

Projected Payments		
Payment Calculation	Years -	Years -
Principal & Interest		_____
Mortgage Insurance	+	+ _____
Estimated Escrow <i>Amount can increase over time</i>	+ \$69.90	+ _____
Estimated Total Monthly Payment	\$69.90	

Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>	monthly	This estimate includes	In escrow?
		<input type="checkbox"/> Property Taxes	YES
		<input type="checkbox"/> Homeowner's Insurance	YES
		<input type="checkbox"/> Other:	NO
<i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>			

Costs at Closing	
Closing Costs	\$7,519.78 Includes \$2,765.50 in Loan Costs + \$4,754.28 in Other Costs - \$0.00 in Lender Credits. <i>See page 2 for details.</i>
Cash to Close	\$46,788.11 Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

Closing Cost Details

EXAMPLE OF USING CDF DEBIT-CREDIT WITH FULL

OTP-LTP

Loan Costs			Borrower-Paid		Seller-Paid		Paid by
			At Closing	Before Closing	At Closing	Before Closing	Others
A. Origination Charges			\$1,065.00				
01	0.125% of Loan Amount (Points)	to Local Bank N.A.	\$190.00				
02	Processing Fee	to Local Bank N.A.	\$300.00				
03	Underwriting Fee	to Local Bank N.A.	\$575.00				
04		to Local Bank N.A.					
B. Services Borrower Did Not Shop For			\$706.50				
01	4506T Tax Transcript	to Interthinx	\$47.50				
02	Appraisal Fee	to ServiceLink	\$5.00	\$450.00			
03	Appraisal Management Fee	to ServiceLink	\$110.00				
04	Credit Report Fee	to Equifax	\$18.00				
05	Flood Certificate - Life of Loan Monitor	to ServiceLink National Flood, LLC	\$10.00				
06	Tax Service Fee	to Transamerica	\$66.00				
C. Services Borrower Did Shop For			\$994.00				
01	Title - Endorsement - 100 Comp	to Title Company of the Rockies	\$70.00				
02	Title - Endorsement - 115.1 Condo	to Title Company of the Rockies	\$80.00				
03	Title - Endorsement - 8.1 EPA	to Title Company of the Rockies	\$50.00				
04	Title - Lender's Title Insurance	to Title Company of the Rockies	\$794.00				
					No Simultaneous Issue \$; Full Premium		
D. TOTAL LOAN COSTS (Borrower-Paid)			\$2,765.50				
Loan Costs Subtotals (A + B + C)			\$2,315.50	\$450.00			

Other Costs							
E. Taxes and Other Government Fees			\$181.46				
01	Recording Fees	Deed: \$11.00 Mortgage: \$151.00 to TCR fbo County Recorder	\$162.00				
02	Transfer Tax	to TCR fbo County Recorder	\$19.46				
F. Prepays			\$434.52				
01	Homeowner's Insurance Premium (12 mo.)	to ABC Insurance Group	\$251.81				
02	Mortgage Insurance Premium (mo.)	to					
03	Prepaid Interest (\$20.3014 per day from 12/23/2015 to 1/1/2016)	to Local Bank N.A.	\$182.71				
04	Property Taxes (mo.)	to					
G. Initial Escrow Payment at Closing to Local Bank N.A.			\$377.30				
01	Homeowner's Insurance	\$20.98 per month for 3 mo.	\$62.94				
02	Mortgage Insurance	per month for mo.					
03	Property Taxes	\$48.92 per month for 9 mo.	\$440.28				
04	Assessment Taxes	per month for mo.					
05	City Property Taxes	per month for mo.					
06	County Property Taxes	per month for mo.					
07	MUD Taxes	per month for mo.					
08	Other Taxes	per month for mo.					
09	School Property Taxes	per month for mo.					
10	Aggregate Adjustment		-\$125.92				
H. Other			\$3,761.00				
01	E Record WD and DOT	to Title Company of the Rockies	\$10.00				
02	Express Mail Fee	to Title Company of the Rockies	\$60.00				
03	HOA - Additional Working Capital	to HOA	\$1,027.00				
04	HOA - January Dues	to HOA	\$589.00				
05	HOA - Record Change Fee	to HOA	\$125.00				
06	Loan Closing Fee	to Title Company of the Rockies	\$250.00				
07	Purchaser Attorney Fee	to Real Estate Lawyer, PC	\$1,500.00				
08	Real Estate Closing Fee	to Title Company of the Rockies	\$175.00		\$175.00		

09	Tax Cert	to	Title Company of the Rockies	\$25.00				
10	Title - Owner - Standard Deletions End	to	Title Company of the Rockies			\$60.00		
11	Title - Owner's Title Insurance	to	Title Company of the Rockies			\$145.00	Seller Pay	
I. TOTAL OTHER COSTS (Borrower-Paid)				\$4,754.28				
Other Costs Subtotals (E + F + G + H)				\$4,754.28				
J. TOTAL CLOSING COSTS (Borrower-Paid)				\$7,519.78				
Closing Costs Subtotals (D + I)				\$7,069.78	\$450.00	\$380.00		
Lender Credits								

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	\$0.00	\$7,519.78	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0.00	-\$450.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Paid from your Loan Amount)	\$0.00	\$0.00	NO
Down Payment/Funds from Borrower	\$0.00	\$42,600.00	YES
Deposit	\$0.00	-\$2,000.00	YES
Funds for Borrower	\$0.00	\$0.00	NO
Seller Credits	\$0.00	\$0.00	NO
Adjustments and Other Credits	\$0.00	-\$881.67	YES • See details in Sections K and L
Cash to Close	\$0.00	\$46,788.11	

Summaries of Transactions

Use this table to see a summary of your transaction. **EXAMPLE OF USING CDF DEBIT-CREDIT WITH FULL OTP-LTP**

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$202,580.78
01 Sale Price of Property	\$194,600.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$7,069.78
04	
Adjustments	
05 HOA - Working Capital Reserve Credit to Seller	\$740.00
06 HOA - December Dues Proration	\$171.00
07	
Adjustments for Items Paid by Seller in Advance	
08 Assessment Taxes	
09 City Property Taxes	
10 County Property Taxes	
11 MUD Taxes	
12 HOA Dues	
13 School Property Taxes	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	\$155,792.67
01 Deposit	\$2,000.00
02 Loan Amount	\$152,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05	
Other Credits	
06	
07	
Adjustments	
08 Title Premium Adjustment CDF Debit-Credit made	\$719.00
09 Seller Paid Closing Cost Credit	\$500.00
10	
11	
Adjustments for Items Unpaid by Seller	
12 Assessment Taxes	
13 City Property Taxes	
14 County Property Taxes 1/1/2015 to 12/23/2015	\$573.67
15 MUD Taxes	
16 HOA Dues	
17 School Property Taxes	
CALCULATION	
Total Due from Borrower at Closing (K)	\$202,580.78
Total Paid Already by or on Behalf of Borrower at Closing (L)	-\$155,792.67
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$46,788.11

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$195,511.00
01 Sale Price of Property	\$194,600.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06 HOA - Working Capital Reserve Credit to Seller	\$740.00
07 HOA - December Dues Proration	\$171.00
08	
Adjustments for Items Paid by Seller in Advance	
09 Assessment Taxes	
10 City Property Taxes	
11 County Property Taxes	
12 MUD Taxes	
13 HOA Dues	
14 School Property Taxes	
15	
16	
N. Due from Seller at Closing	\$19,419.48
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$380.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan to Bank of America	\$17,246.81
05 Payoff of Second Mortgage Loan	
06 Title Premium Adjustment CDF Debit-Credit made	\$719.00
07 Seller Paid Closing Cost Credit	\$500.00
08	
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 Assessment Taxes	
15 City Property Taxes	
16 County Property Taxes 1/1/2015 to 12/23/2015	\$573.67
17 MUD Taxes	
18 HOA Dues	
19 School Property Taxes	
CALCULATION	
Total Due to Seller at Closing (M)	\$195,511.00
Total Due from Seller at Closing (N)	-\$19,419.48
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$176,091.52

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

- will allow, under certain conditions, this person to assume this loan on the original terms.
- will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

Late Payment

If your payment is more than _____ days late, your lender will charge a late fee of _____.

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

- are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- do not have a negative amortization feature.

Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest

You are granting a security interest in
1263 Straight Creek Drive, Bldg. E, Unit 205
Dillon, CO 80435

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account

For now, your loan

- will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1	\$838.80	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.
Initial Escrow Payment	\$377.30	
Monthly Escrow Payment	\$69.90	

- will not have an escrow account because you declined it your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		
Escrow Waiver Fee		

In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled	
Finance Charge. The dollar amount the loan will cost you.	
Amount Financed. The loan amount available after paying your upfront finance charge.	\$152,000
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	0%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	0%



Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Other Disclosures

Appraisal

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- state law does not protect you from liability for the unpaid balance.

Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Settlement Agent
Name	Local Bank N.A.	Title Company of the Rockies
Address	1600 Mall Denver, CO 80202	10 West Beaver Creek Blvd. Suite 221 Avon, CO 81620
NMLSID	60000XX	
CO License ID		CO185566
Contact	Susanne Lender	Friendly Closer
Contact NMLS ID		
Contact CO License ID		CO30000X
Email		fc@titlecorockies.com
Phone		970-949-9497

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature

Date

Co-Applicant Signature

Date