

**MDIA
(Mortgage Disclosure
Improvement Act)**

Digest Number 16

The Truth-in-Lending Disclosure for 1st and 2nd mortgages has changed to include additional information. The new disclosure is mandatory as of January 30, 2011.

The new Truth-in-Lending Disclosure requires that the “old” payment schedule be replaced with a “new” Interest Rate and Payment Summary in the form of a table that must be at least 10 point type and in a format substantially similar to the model forms provided with the rule.

For fixed rate mortgage loans, the interest rate applicable at consummation must be disclosed. If the fixed rate loan has scheduled payment increases, the lender must show the interest rate applicable to such payments even if the rate does not change.

Interest Rate And Payment Summary	
Interest Rate	Rate and Monthly Payment %
Principal & Interest Payment	\$
Est. Taxes + Insurance (Escrow) ()	\$
Total Estimated Monthly Payment	\$

For variable rate mortgage loans, the “new” Interest Rate and Payment Summary table in the form includes columns for the Introductory Rate and Monthly Payment (for first frequency). This column is required. What it means is the interest rate in effect at consummation of the loan and the period of time until the first interest rate adjustment. For example, the Introductory Rate (read this as initial rate) could be in effect for 5 years and thereafter change based on the index plus margin. Another required column is Maximum During the First Five Years (date). This column is required if periodic rate caps are applicable and will populate with the earliest date the maximum interest rate could be reached in five years. If there is no rate cap, this column may be removed. Another column is the Maximum Ever (as early as date). This column may not be removed. It would populate with the maximum rate possible over the life of the loan.

Interest Rate And Payment Summary			
	INTRODUCTORY RATE and Monthly Payment For first	MAXIMUM during FIRST FIVE YEARS	MAXIMUM EVER (as early as)
Interest Rate			
Principal & Interest Payment			
Est. Taxes + Insurance (Escrow) ()			
Total Estimated Monthly Payment			

For mortgage loans that have a “discounted” initial interest rate, the “new” Interest Rate and Payment Summary table in the form has in addition to the columns shown in the variable rate disclosure a section for the discounted introductory interest rate and this period the discount is applicable.

Interest Rate And Payment Summary			
	INTRODUCTORY RATE And Monthly Payment For first ()	MAXIMUM during FIRST FIVE YEARS ()	MAXIMUM EVER (as early as)
Interest Rate			
Principal & Interest Payment			
Est. Taxes + Insurance (Escrow) (Includes Private Mortgage Insurance)			
Total Estimated Monthly Payment			
<input type="checkbox"/> Introductory Rate (Check if applicable) You have a discounted introductory rate of _____ that ends after _____ in _____ even if market rates do not change, this rate increases to _____			

Disclosures must be provided within 3 business days after an application has been received and before the applicant has paid a fee other than a fee for a credit report. Lenders must also mail or deliver disclosures at least 7 business days before loan consummation.

The rule includes a variety of model forms and requirements for different kinds of mortgage loans such as fixed-rate, adjustable rate, negative amortization, interest only, balloon payment loans and loans with discounted or introductory rates. Certain clauses and additional disclosure are required depending on the kind of mortgage loan.

Fixed-rate, variable rate and discounted initial rate disclosures are addressed in this digest. Please contact Conmarsystems if disclosure is needed for negative amortization, interest only or balloon payment mortgages.

Samples attached are:

1. Fixed rate TIL disclosure
2. Variable rate TIL disclosure
3. Discount initial rate TIL disclosure

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