

Changes to construction holdback/unfunded loan amount

We have adjusted our system to allow for disclosure of the construction holdback in Section H as a fee, rather than in the Payoffs and Payments/Summaries of Transaction.

How do I do this?

On the order form, there will be a question under the fields used to calculate the unfunded loan amount/holdback.

Loan Amount	200,000.00	
Total Loan Amount	200,000.00	
Loan to Value (LTV)	59.172	%
Lot Purchase Price	0.00	<i>If financed</i>
Lot Refi / Payoff	0.00	<i>If financed</i>
Closing Costs	0.00	<i>If financed</i>
Unfunded Loan Amount	200,000.00	<i>Construction holdback</i>
Disclose Holdback in section H?	<input checked="" type="radio"/> No <input type="radio"/> Yes	
Interest Rate Lock Date	10/31/2016	<i>Enter closing date if not locked</i>
Initial Loan Estimate Sent Date	11/02/2016	
Last Loan Estimate Received Date	11/05/2016	

Answering “NO” will put the holdback in the Payoffs and Payments/Summaries of Transaction as a line item labeled “Unfunded Loan Amount.”

	Description	Amount
01.	Unfunded Loan Amount	200,000.00
02.		
03.		
04.		
05.		
06.		
07.		
08.		
09.		
10.		
11.		
12.		
13.		
14.		
15.		
K.	TOTAL PAYOFFS AND PAYMENTS	200,000.00

This will put the holdback in the “Payoffs and Payments” portion of the cash to close.

<u>Total Closing Costs (J)</u>	
Total Loan Costs (D)	6,868.00
+ Total Other Costs (I)	4,939.00
- Lender Credits	0.00
= Total Closing Costs (J)	11,807.00
<u>Cash To Close</u>	
Loan Amount	200,000.00
- Total Closing Costs (J)	11,807.00
- Total Payoffs/Payments (K)	200,000.00
= Cash To Close	-11,807.00
	FROM Borrower
Closing Costs Financed	0.00

Answering “YES” will inject a fee into Section H labeled “Unfunded Loan Amount.”

H. Other	200,867
Title - Owner's Title Insurance (optional)	867
Unfunded Loan Amount	200,000
Add Item	
I. TOTAL OTHER COSTS (E + F + G + H)	204,939
J. TOTAL CLOSING COSTS	211,807

This will put the payoff into the “Total Closing Costs (J)” portion of the cash to close.

<u>Total Closing Costs (J)</u>	
Total Loan Costs (D)	6,868.00
+ Total Other Costs (I)	204,939.00
- Lender Credits	0.00
= Total Closing Costs (J)	211,807.00
<u>Cash To Close</u>	
Loan Amount	200,000.00
- Total Closing Costs (J)	211,807.00
- Total Payoffs/Payments (K)	0.00
= Cash To Close	-11,807.00
	FROM Borrower
Closing Costs Financed	200,000.00

What authority do you have to do this?

In March, the CFPB did a webinar that talked about section 1026.37(g)(4) and how it pertained to the disclose of the holdback as an itemized cost for the balance of the construction costs. We can include this fee in Section H because it is a fee that is a contract with another person other than the creditor for construction.

1026.37(g)(4):

(4) *Other.* Under the subheading “Other,” an itemization of any other amounts in connection with the transaction that the consumer is likely to pay or **has contracted with a person other than the creditor or loan originator to pay at closing** and of which the creditor is aware at the time of issuing the Loan Estimate, a descriptive label of each such amount, and the subtotal of all such amounts.

(i) For any item that is a component of title insurance, the introductory description “Title –” shall appear at the beginning of the label for that item.

(ii) The parenthetical description “(optional)” shall appear at the end of the label for items disclosing any premiums paid for separate insurance, warranty, guarantee, or event-coverage products.

(iii) The number of items disclosed under this paragraph (g)(4) shall not exceed five.