## **General Regulation Z**

1. **Which statement(s) below are true? (Check all that apply)**

Loans covered by Reg. Z must:

* 1. Be made to a consumer.
* 2. Be used for a consumer purpose.
* 3. Be secured by personal goods or real estate.
* 4. Either be charged interest or be payable in four or more installment payments.

**Answer:** #1, 2 & 4. See the IBA [Coverage Considerations Under Regulation Z Flowchart](https://www.iowabankers.com/app/uploads/2022/01/Coverage-Considerations-Under-Reg.-Z.pdf).

1. **True or False?**

A loan secured by the principal residence of the applicant to start a new business is covered by Regulation Z.

**Answer:** False – Business purpose loans are not covered by Reg. Z, even if secured by principal residence of the borrower. See the IBA [Coverage Considerations Under Regulation Z Flowchart](https://www.iowabankers.com/app/uploads/2022/01/Coverage-Considerations-Under-Reg.-Z.pdf).

1. **True or False?**

Reg. Z defines a dwelling as a residential structure that contains up to five units and must be permanently attached to real property.

**Answer:** False – A dwelling can have up to four units and still covered by Reg. Z. In addition, it does not have to be permanently attached to real property. The definition of dwelling in Reg. Z says the following: *Dwelling means a residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.*

1. **Under Reg. Z, which response best describes the definition of “Application”?**
* 1. Submission of a financial statement for a business loan.
* 2. Asking questions about rates and fees charged for car loans.
* 3. Submission of a consumer’s financial information for the purpose of obtaining an extension of credit.
* 4. Providing a copy of a trust to the bank.

**Answer:** #3 is the definition of application is Reg. Z.

1. **True or False?**

Business day has two definitions in Reg. Z.

**Answer:** True - One definition is a day on which the creditor’s offices are open to the public for carrying on substantially all of its business functions. The second definition isall calendar days except Sundays and specified legal public holidays.

See the [IBA Business Day Definition Guide](https://www.iowabankers.com/app/uploads/2021/06/Business-day-definitions-2021update.pdf) for application of the definition of business day.

1. **Finance charges: (check all that apply)**
* 1. Are fees for services required by the creditor as a condition of the credit extension unless expressly exempted in the rule.
* 2. Include amounts paid to and retained by the creditor, such as interest, processing fees, etc. plus other charges may be included.
* 3. Must always be paid directly by the borrower at or before consummation
* 4. Are charged in comparable cash transactions.

**Answer:** #1 & #2 are examples of a finance charge. Finance charges can be paid throughout the life of the loan (such as interest) and may be paid in cash at closing or paid with loan proceeds so #3 is not accurate. Finance charges are costs NOT incurred in a comparable cash transaction, so #4 is not accurate. See IBA [Finance Charge Chart](https://www.iowabankers.com/app/uploads/2021/02/FC_Guide_2020.pdf).

1. **Which of the following fees ARE prepaid finance charges on a loan secured by real property? (check all that apply)**
* 1. A third party appraisal fee
* 2. A lender’s in-house appraisal fee
* 3. The lender’s underwriting fee
* 4. Abstracting costs
* 5. Seller costs paid by the borrower
* 6. Title guaranty fees
* 7. Odd days interest

**Answer:** #3 & #7 are finance charges. All the other fees are expressly excluded from the definition of “finance charge” in §1026.4(c)(7) for loans secured by real property or a dwelling.

1. **Which of the following IS NOT a finance charge on a consumer auto loan, secured by the auto? (check all that apply)**
* 1. Application fee charged to all applicants whose credit requests are approved
* 2. Lender’s loan processing fee
* 3. Credit report fee
* 4. Lien notation filing fee disclosed to borrower to perfect the creditor’s security interest in the auto.

**Answer:** **#4 -** Reg. Z expressly exempts security interest filing fees provided the fees are disclosed to the consumer.

#’s 1, 2 and 3 are finance charges.

* #1 – Only application fees that are charged to all applicants regardless of whether or not credit is extended can be exempted, therefore an application fee charged only to approved applicants is a finance charge.
* #2 **–** A lender’s processing fee is not expressly exempted and would NOT be paid in a comparable cash transaction, therefore it is a finance charge.
* #3 **–** A credit report fee is a finance charge unless the loan is secured by real property.

See IBA [Finance Charge Chart](https://www.iowabankers.com/app/uploads/2021/02/FC_Guide_2020.pdf).

1. **Premiums for credit life and disability insurance can be exempted from the finance charge if: (check all that apply)**
* 1. The insurance is not required by the creditor and this fact is disclosed in writing to the consumer.
* 2. The premium for the initial term is disclosed.
* 3. The cost of the insurance is disclosed to the consumer at least three business days before consummation.
* 4. The consumer signs or initials to affirm their request for the insurance.

**Answer:** All except #3 apply – there is no requirement to disclose the insurance cost to the consumer three business days prior to closing on a loan that is NOT dwelling-secured. See IBA [Finance Charge Chart](https://www.iowabankers.com/app/uploads/2021/02/FC_Guide_2020.pdf).

1. **Which of the following is NOT a “material disclosure” (or “Fed box disclosure”) for Reg. Z purposes?**
* 1. Finance Charge
* 2. Late Charge
* 3. Annual Percentage Rate
* 4. Amount Financed
* 5. Total of Payments

**Answer:** #2 – Late charge is a required disclosure but NOT a “material” or “fed box” disclosure.

## **TRID**

1. **If two properties secure the loan, which property or properties should be listed in the “Property” field of the Loan Estimate?**
* 1. Just pick one, it doesn’t matter.
* 2. All properties securing the loan must be disclosed.
* 3. Disclose the property with the highest value.

**Answer: #2** – LE must disclose ALL properties securing the loan. Bank may add an addendum if necessary. See IBA [TRID Forms Completion Guide.](https://www.iowabankers.com/app/uploads/2021/02/TRID_Forms_Completion_Guide_Rev_080120.pdf)

1. **True or False**

The Rate Lock section of the Loan Estimate is completed as “Yes” only when the Bank has a written rate lock agreement with the Applicant(s).

**Answer: True** – Only check “yes” if the bank has a written rate lock agreement with the applicant(s). See IBA [TRID Forms Completion Guide.](https://www.iowabankers.com/app/uploads/2021/02/TRID_Forms_Completion_Guide_Rev_080120.pdf)

1. **Estimated Prop. Value or Appraised Value** – What label should be used on the LE and CD when it relies upon an internal evaluation (rather than an appraisal conducted by an outside appraiser) for transactions that do not include a seller? What value should be used?

**Answer:** For transactions where there is no seller, such as a refinancing, when the bank does not order an outside appraisal, the LE should use the label Prop. Value or Estimated Prop. Value and the CD should use the label “Estimated Prop. Value.” For the dollar value on the LE, the bank may use the estimated value provided by the consumer at application unless the bank performed its own valuation for purposes of approving the transaction. In that case, each disclosure provided to the consumer after that date (revised LE and/or CD) must disclose the internal evaluation value. See IBA [TRID Forms Completion Guide.](https://www.iowabankers.com/app/uploads/2021/02/TRID_Forms_Completion_Guide_Rev_080120.pdf)

1. **True or False**

If multiple properties will secure the loan requested, the property value disclosed on the LE is the value for all properties.

**Answer: True -** If multiple properties secure the loan, the bank must provide an aggregate value of all properties.

1. **True or False**

The bank must allow applicants to shop for all Service Providers such as Appraisers, Abstractors and Attorneys.

**Answer: False** – The bank may not allow applicants to shop for providers for certain services such as credit reports, flood determinations, title guaranty insurance and appraisals. The bank may allow applicants to shop for providers for services such as title exams, abstracting, etc.

1. **True or False**

Written List of Providers is provided to the applicants with the Loan Estimate allowing the applicants to shop for an Attorney to complete the Title Examination service and the fee is disclosed in section “C. Services You Can Shop For” as “Title – Title Examination”. If the Applicants chose an Attorney listed on the Bank’s Written List of Providers to conduct the Title Examination service, the fee should be disclosed on the Closing Disclosure in section “B. Services Borrower Did Not Shop For.”

**Answer: True** – If the applicants were allowed to shop and the applicants selected a provider from the Bank’s Written List of Providers, the fee must be disclosed within “B. Services Borrower **Did Not** Shop For” because in essence, the applicants did not shop for a provider. See IBA [LE/CD Fee Placement Guide](https://www.iowabankers.com/app/uploads/2021/07/LE-CD-Fee-Placement-Guide_July-2021-update.pdf).

1. **Taxable Assessed Value of Land Only or Taxable Assessed Value Including Improvements**

For construction loans, should the bank disclose estimated taxes, insurance and assessments on the Loan Estimate based on the value of the land only or use the expected value of the property after the home is constructed?

**Taxable Assessed Value Including Improvements** - For construction loans, TRID requires the bank disclose the estimated taxes, insurance and assessments based on the expected value over the first year (including any improvements or construction completed in that timeframe). Since most construction loans are for one year or less, the bank would include the value based on the land plus the home to be constructed/improvements. See IBA [LE/CD Fee Placement Guide](https://www.iowabankers.com/app/uploads/2021/07/LE-CD-Fee-Placement-Guide_July-2021-update.pdf).

1. **True or False**

The amount disclosed in the “Estimated Taxes, Insurance and Assessments” section of the Closing Disclosure can be estimates of the property taxes, homeowner’s insurance and other monthly mortgage related fees; they don’t have to be actual amounts.

**Answer: False** – For the Closing Disclosure, the Estimated Taxes, Insurance and Assessments must be the ACTUAL amount **due** in the first year. For construction loans, do not consider value of improvements since the improvements are yet to be completed and do not yet impact the taxes or insurance premiums in the first year. See IBA [LE/CD Fee Placement Guide](https://www.iowabankers.com/app/uploads/2021/07/LE-CD-Fee-Placement-Guide_July-2021-update.pdf).

1. **True or False**

For a loan intended to be sold on the secondary market, the Late Payment section of the Loan Estimate and Closing Disclosure is disclosed based on the Bank’s late payment policy, not the investor’s late payment policy.

**Answer: True** – The LE must always disclose the originating Bank’s late payment policy. See IBA [LE/CD Fee Placement Guide](https://www.iowabankers.com/app/uploads/2021/07/LE-CD-Fee-Placement-Guide_July-2021-update.pdf).

1. **True or False**

The “Calculating Cash to Close” table on the Closing Disclosure must be completed with the information from the first Loan Estimate issued, not the most recent Loan Estimate which reset the tolerances.

**Answer: False** – The Calculating Cash to Close table must include amounts from **the last** LE provided to the borrower, regardless of whether it reset tolerances.

1. **True or False**

TRID has its own definition of “Application”.

**Answer: True –** For transaction subject to TRID, an application consists of the submission of the consumer's name, the consumer's income, the consumer's social security number to obtain a credit report, the property address, an estimate of the value of the property, and the mortgage loan amount sought.