



OHFA Advantage News

Regulation Z Update on HPML

Follow-up to US Banks Bulletin 2009-69

This Bulletin will outline details pertaining to Regulation Z for Higher Priced Mortgage Loans (HPML) initially introduced in U.S. Bank Home Mortgage MRBP Division Bulletin 2009-059. In that Bulletin USBHM discussed the new Average Prime Offer Rate Index (APOR), the FFIEC Calculator Website, and the new category of loans call Higher Priced Mortgage Loans for all owner- occupied primary residence transactions. If the loan falls into the new category of a HPML there are certain requirements that need to be met.

You may have a HPML loan in the following Purchase Money, Fixed Rate, First Mortgage Loan programs:

- Conventional
- FHA
- RD
- VA

Additional requirements for loans that fall under the HPML category:

- Requires verification of borrower(s) full repayment ability including verifying income and asset information, qualifying using the largest scheduled payment of principal and interest.
- Requires tax and insurance escrows/impounds
- Prohibits prepayment penalties.

When to test for HPML?

- At time of Early TIL Disclosure
- At time of locking the loan; or
- At time of any Corrective TIL Disclosure; and
- At time of Final TIL prior to loan closing.

Purchase Fund Lenders:

For all loan applications dated on and after October 1, 2009 the following additional information will be required in the closed loan package submission:

- Final FFIEC Calculator print out.
- Evidence of the rate and date of lock with borrower.
- If the loan is a HPML in an eligible product, Underwriter certification that loan was underwritten as HPML and meets all requirements.

Prior to purchase, USBHM will review and validate FFIEC Calculator results provided.

Purchase Fund Lenders:

For all loan applications dated on and after October 1, 2009 the following additional information will be required in the closed loan package submission:

- If the loan is a HPML the underwriter must certify on the approval that the loan was underwritten as a HPML and meets all requirements.
- Include final FFIEC Calculator print out using the final TIL APR.

Prior to purchase, USBHM will review and validate FFIEC Calculator results provided.

How to Determine if a Loan is HPML

Proceed to the FFIEC site to obtain the “Average Prime Offer Rate” Table and rate spread calculation tool. The website address is: <http://www.ffiec.gov/>

- Under the tab “Consumer Compliance” click on the [Rate Spread Calculator](#) link:
- Click on the following link: Direct Link to “NEW CALCULATOR” and “Average Prime Offer Rates” Tables: <http://www.ffiec.gov/ratespread/newcalc.aspx>
- Just below the “Average Rate Tables” you will find the rate spread calculator questions. You must complete each of the following questions:

Action Taken: 1 - Loan Originated (Info):	(No input required skip this line.)
Amortization Type: Fixed Adjustable	(Select fixed or adjustable.)
Lock-In Date (mm/dd/ccyy)	(Enter date rate locked or application date if not locked yet)
APR (00.00)%	(Use the most recent or final APR available depending on when the test is performed.)
Fixed Term = Loan Maturity	
Variable Term = Initial Fixed-Rate Period	
(Years, Whole Number) i.e. 360 mo. = 30	
Lien Status 1 - Secured by a first lien	(Select the appropriate lien position.)
2 - Secured by a junior lien	

Once all information has been input, click the submit button.

If the results are: N/A it indicates the loan is not a HPML.

If the results display: Rate Spread (percentage points): 02.19, the loan is a HPML.

If you have any questions, please contact Lee Ann Smith at (405) 419-8243