

RESCINDED

This appendix provides guidance about the Act made in connection with the Act.

This document and any attachments are superseded by Comptroller's Handbook - Consumer Compliance - Other Consumer Protection Laws and Regulations.

1. Initial disclosures at consummation:
 - a. A written amortization schedule (§4(a)(1)(A)(i)).
 - b. A notice that the borrower may submit a written request to cancel PMI as of the date that, based on the initial amortization schedule, the principal balance is first scheduled to reach 80% of the original value of the mortgaged property, irrespective of the outstanding balance of the mortgage, or such earlier date that, based on actual payments, the principal balance actually reaches 80% of the original value of the mortgaged property and the borrower has a good payment history and has satisfied the lender's requirements that the value of the mortgaged property has not declined and is unencumbered by subordinate liens (§4(a)(1)(A)(ii)(I) and (II)).
 - c. The specific date, based on the initial amortization schedule, the loan balance is scheduled to reach 80% of the original value of the mortgaged property (§4(a)(1)(A)(ii)(I)).
 - d. A notice that PMI will automatically terminate on the date that, based on the amortization schedule and irrespective of the outstanding balance of the mortgage, the principal balance is first scheduled to reach 78% of the original value of the mortgaged property if the loan is current (§4(a)(1)(A)(ii)(III)).
 - e. The specific date the loan balance is scheduled to reach 78% LTV (§4(a)(1)(A)(ii)(III)).
 - f. Notice that exemptions to the right to cancel and automatic termination exist for high-risk loans and whether such exemptions apply (§4(a)(1)(A)(ii)(IV)).
2. Initial disclosures at consummation for **adjustable rate** residential mortgage transactions must include a notice that:
 - a. The borrower may submit a written request to cancel PMI as of the date that, based on the amortization schedule(s) and irrespective of the outstanding balance of the mortgage, the principal balance is first scheduled to reach 80% of the original value of the mortgaged property or such earlier date that, based on actual payments, the principal balance actually reaches 80% of the original value of the mortgaged property and the borrower has a good payment history and has satisfied the lender requirements that the value of the mortgaged property has not declined and is unencumbered by subordinate liens (§4(a)(1)(B)(i)).
 - b. The servicer will notify the borrower when the cancellation date is reached, *i.e.*, when the loan balance represents 80% of the original value of the mortgaged property (§4(a)(1)(B)(I)).
 - c. PMI will automatically terminate when the loan balance is first scheduled to reach 78% of the original value of the mortgaged property irrespective of the outstanding balance of the mortgage and the loan is current (§4(a)(1)(B)(ii)).
 - d. On the termination date the borrower will be notified of the termination or the fact that PMI will be terminated when the loan is brought current (§4(a)(1)(B)(ii)).
 - e. Exemptions to the right to cancel and automatic termination exist for high-risk loans and whether such exemptions apply (§ 4(a)(1)(B)(iii)).
3. Lender has established standards regarding the type of evidence it requires borrowers to provide to demonstrate that the value of the mortgage property has not declined and they are provided when a request for cancellation occurs (§ 3(a)(3)(A)).

4. Lender provides written initial disclosures at consummation for high risk residential mortgage transactions (as defined by the lender or Fannie Mae or Freddie Mac), that PMI will not be required beyond the midpoint of the amortization period of the loan, if the loan is current (4(a)(2)).
5. When the financial institution acts as servicer for residential mortgage transactions, it provides an annual written statement to the borrowers explaining their rights to cancel or terminate PMI and an address and telephone number to contact the servicer to determine whether they may cancel PMI (§4(a)(3)). (Note: This disclosure may be included on RESPA's annual escrow account disclosure or IRS interest payment disclosures.)
6. When the financial institution acts as servicer, it provides an annual written statement to each borrower who entered into a residential mortgage prior to July 29, 1999, that includes:
 - a. A statement that PMI may, under certain circumstances, be canceled by the borrower with the consent of the lender or in accordance with applicable state law (§4(b)(1)).
 - b. An address and telephone number that the borrower may use to contact the servicer to determine whether the borrower may cancel the PMI (§ 4(b)(2)). (Note: This disclosure may be included on RESPA's annual escrow account disclosure or IRS interest payment disclosure.)
7. When the financial institution acts as servicer for residential mortgage transactions, it provides borrowers written notices within 30 days after the date of cancellation or termination of PMI that the borrower no longer has PMI and that no further PMI payments or related fees are due (§ 5(a)).
8. When the financial institution services residential mortgage transactions, it returns all unearned PMI premiums to the borrower within 45 days of either termination upon the borrower's request or automatic termination under the HPA (§3(e)).
9. When the financial institution acts as servicer for residential mortgage transactions, it provides borrowers written notices of the grounds it relied on (including the results of any appraisal) to deny a borrower's request for PMI cancellation, no later than 30 days after the date the request is received, or the date on which the borrower satisfies any evidence and certification requirements established by the lender, whichever is later (§5(b)(1) and §5(b)(2)(A)).
10. When the financial institution acts as servicer for residential mortgage transactions, it provides borrowers written notices of the grounds it relied on (including the results of any appraisal) for refusing to automatically terminate PMI not later than 30 days after the scheduled termination date (§5(b)(2)(B)).

Note: The scheduled termination date is reached when, based on the initial amortization schedule (in the case of a fixed rate loan) or the amortization schedule(s) (in the case of an adjustable rate loan), the principal balance of the loan is first scheduled to reach 78% of the original value of mortgaged property, assuming the borrower is current on that date or the earliest date thereafter on which the borrower becomes current.

11. When the financial institution acts as a servicer for adjustable rate residential mortgage transactions, the financial institution notifies borrowers that the cancellation date has been reached (§4(a)(1)(B)(i)).
12. When the financial institution acts as a servicer for adjustable rate residential mortgage transactions, the financial institution notifies the borrowers on the termination date that PMI has been cancelled or will be cancelled as soon as the borrower is current on loan payments (§4(a)(1)(B)(ii)).

-
13. When the financial institution requires “Lender Paid Mortgage Insurance” (LPMI) for residential mortgage transactions, it provides a written notice to a prospective borrower on or before the loan commitment date that includes:
 - a. A statement that LPMI differs from borrower paid mortgage insurance (BPMI) in that the borrower may not cancel LPMI, while BPMI is subject to cancellation and automatic termination under the HPA (§6(c)(1)(A)).
 - b. A statement that LPMI usually results in a mortgage with a higher interest rate than BPMI (§6(c)(1)(B)(i)).
 - c. A statement that LPMI only terminates when the transaction is refinanced, paid off, or otherwise terminated (§6(c)(1)(B)(ii)).
 - d. A statement that LPMI and BPMI both have benefits and disadvantages and a generic analysis reflecting the differing costs and benefits of each over a 10-year period, assuming prevailing interest and property appreciation rates (§6(c)(1)(C)).
 - e. A statement that LPMI may be tax-deductible for federal income taxes if the borrower itemizes expenses for that purpose (§6(c)(1)(D)).
 14. If the lender requires LPMI for residential mortgage transactions, and the financial institution acts as servicer, does it notify the borrower in writing within 30 days of the termination date that would have applied if it were a BPMI transaction, that the borrower may wish to review financing options that could eliminate the requirement for PMI (§6(c)(2)).
 15. When the financial institution prohibits borrower paid fees for the disclosures and notifications required under the HPA (§7).