

Statement Enhancements: Mortgage Periodic Statements

Proposed Changes for Mortgage Statement Required per Regulation Z

Proj34525

Prepared by Karen Sorensen

Rev: October 28, 2013

After extensive review of current statement processing and the requirements of the regulation, the product team determined that mortgage periodic statements will be produced independently of other statements. This allows us to develop a system that is agile and can be changed independent of the regular monthly statements (counting on examiners and the CFPB to alter interpretations as is always the case).

Mortgage Statement Criteria

- The credit union will have the option to create a separate mortgage statement
- If the mortgage statement option is not activated, then the mortgage loan will appear on the regular member statement as it does today
- Mortgage statement will be generated for loans with process type M excluding commercial loans (Master type MO)
- Mortgage statements will be a separate run at month end and will not be included with the regular member statements
- Changes will only be made for flat file statement output, not to the older-style "print vendor" format
- Top section of the statement will be perforated to be used as a coupon similar to our credit card statement
- New mortgage statement to be in place for January 2013 month end
- eStatements will also be generated separately, similar to how credit card statements work

Best Practices Recommendations

To display appropriately on the statement, the mortgage loan should meet the following criteria:

- Loan payment due date between the 1st and 7th of the month
- Grace period end date within the same month as the loan due date
- Payment frequency for the loan is monthly

Results will vary for mortgage loans that use settings other than these, due to layout and data elements on mortgage statements.

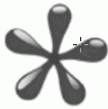
Details of the Regulation

This project is to comply with changes to Regulation Z precipitated by the Dodd Frank Act which requires a monthly statement to members with closed-end mortgages under certain conditions. We will be generating this statement at month end with a layout that models the format in the appendix of the regulation.

- Partial Payment - This relates to balance sweep accounts where a member deposits money to a share account until sufficient funds are available to make the complete payment to the loan account. We are not programming for this as this type of payment activity is not consistently applied across credit unions.
- Account Information Prepayment - This element does not exist on the system and our experience suggests that very few if any credit unions charge a prepayment penalty. We are not programming for this and defaulting to "no prepayment penalties".
- Delinquency Details - These elements do not exist on the system and will need to be addressed manually by the credit union. The regulation allows the credit union to send this information out independently of the statement and should be completed by the credit unions collections department when qualifying loans reach 45 days past due.
- Coupon Book Exceptions - We continue to review the process and effort to produce coupons. However, at this time we are only programming for the periodic statement.

Prototype of Proposed Changes

Here is a sample of the mortgage statement (this is a mockup only; final layout may not match sample exactly):



Your Credit Union Name
 123 Your CU's Address
 Yourtown, USA
 www.cuwebaddress.com

Mortgage Statement

Account Number: 1268-720
 Fannie Mortgage
 Status: Frozen
 Statement Date: 8/31/13



*****AUTO**MIXED AADC 123
 000000015 02 MB 0.404
 JOHN D SAMPLE
 123 ANY STREET
 ANYTOWN USA 12345-6789



0001
 0000011

Amount Due:	2,382.41
Additional Principal	\$
Additional Escrow:	\$
Total Amount Enclosed:	\$

YOUR CREDIT UNION NAME

Account Information	
Account Number:	1268-720
Account Description:	Fannie Mortgage
Outstanding Principal:	84,013.36
Interest Rate:	5.0000%
Rate in effect until:	12/31/15
Prepayment Penalty:	No

Amount Due on 9/01/13:	2,382.41
If payment received after 09/16/13, \$37.78 late fee will be charged	
Statement Date: 8/31/13	
Status: Frozen	

If you are experiencing financial difficulty, please visit hud.gov/offices/hsg/sfh/hcc/fc/ or call 888-995-HOPE (4673)

Explanation of Amount Due	
Due Date:	8/01/13
Principal and Interest:	462.74
Escrow (Taxes and Insurance):	292.83
Regular Payment:	755.57
Total Fees and Charges:	115.70
Overdue Payment:	1,511.14
Total Amount Due:	2,382.41

Transaction Activity (8/1 to 8/31)

Date	Transaction Type	# / ID	Transfer Acct	Disbursement	Payments	Balance	Interest
8/01/13	* Beginning Balance *					\$83,833.96	
8/01/13	FANNIE MAE PAYMENT	9			\$755.57	\$83,833.96	\$755.87
	MBR-ELECTED PAYMENT FOR 05						
8/06/13	DELQ. FINE PAYMENT	9		\$69.42		\$83,903.38	
8/06/13	ESCROW TRANSFER	9	9999-125	\$292.83		\$84,196.21	
8/06/13	REV ESCROW TRANSFER	#4			\$292.83	\$83,903.38	
8/06/13	REV DELQ FINE PAYMEN	#4			\$69.42	\$83,833.96	\$-755.57
8/06/13	REV FANNIE MAE PMT	#4		\$755.57		\$83,833.96	\$349.31
8/06/13	CORR FANNIE MAE PMT	#4			\$824.99	\$83,358.28	
8/06/13	DELQ. FINE PAYMENT	#4		\$69.42		\$83,427.70	
8/06/13	ESCROW TRANSFER	#4		\$292.83		\$83,720.53	
8/07/13	REV LATE FEE	17			\$69.42	\$83,651.11	
8/07/13	REV LATE FEE	17		\$69.42		\$83,720.53	
8/31/13	PHONE TRANSFER	17	9999-001		\$755.57	\$83,720.53	\$755.57
	MBR-ELECTED PAYMENT FOR 07						
8/31/13	XFER FOR ESCROW	17	9999-125	\$292.83		\$84,013.36	
8/31/13	** Ending Balance **			\$1,842.32	\$2,767.80	\$84,013.36	\$1,104.88

Past Payments Breakdown			
Principal This Period:	\$179.40	Principal Year-to-Date:	??
Interest This Period:	\$1,104.88	Interest Year-to-Date:	\$2,791.65
Escrow This Period:	\$292.83	Escrow Year-to-Date:	??
Fees This Period:	\$69.42	Fees Year-to-Date:	\$208.13
Total	\$1,646.53	Total	??