

FREQUENTLY ASKED QUESTIONS (FAQs) – REGULATION Z CHANGES

1. CERTIFICATION – NO UP FRONT FEES

- Some lenders are allowing the broker to provide the Truth-In-Lending document and obtain the customer's signature. Then the fee is collected. Is that acceptable for PMC Bancorp?

No. Since the regulations state that the creditor is required to provide the Truth-In-Lending document, we interpret that to mean the lender (PMC Bancorp) must provide the document. A creditor is the actual lender providing the funds for the loan.

- What if a fee was collected previously, for example, during the first week of July, and the loan is submitted to PMC July 27 or later? Is that acceptable? What if the fee is refunded to the customer before the loan is submitted to PMC?

*No. To qualify for a submission to PMC on July 27 and after, a fee could **not** have been collected, even if the fee was refunded to the customer prior to submission to PMC. The key date to remember is **July 27th submission to PMC** regardless of the broker's application date.*

- What if the fee is just "collected" and "held" until PMC's early disclosures have been sent as required by Regulation Z? For example, could the fee be held in trust or the check not processed until later? Is it acceptable to only collect the credit card information?

No. An up front fee cannot be "collected" and "held" in trust or "collected" and not processed. A credit card number cannot be collected in advance.

- What is considered a "business day"?

***A Business Day** is all weekdays and Saturdays unless it is a specified legal public holiday. The borrower has 3 Business Days to receive the disclosure when the disclosures are sent through the US Postal Service.*

- How does the broker know when PMC has sent the disclosures?

Upon receipt of a new loan submission, PMC will email the borrower early disclosures with "Submitted Loan Confirmation" letter and broker will be carbon-copied on the email. This letter acknowledges the loan has been received and PMC has sent out the early disclosures to the borrower.

- When can a fee like an appraisal fee be charged (either by the broker or appraiser or other third party)?

*A fee may be collected after PMC has issued their early disclosures and the customer has received them. For the disclosures that are mailed from PMC, it is assumed the customer has received the disclosures **3 Business Days** after the disclosures have been sent. A fee may be collected on the **4th business day**.*

For example, the broker submitted the loan on Friday, August 14 and the disclosures were mailed Wednesday, August 19, the customer is assumed to have received the disclosures on Saturday, August 22. A fee can be collected on Monday, August 24.

FREQUENTLY ASKED QUESTIONS (FAQs) *(continued)*

- What if the application was already submitted to another lender (first lender) and the customer withdrew that application or was denied by the first lender?

If a fee was charged after the first lender provided the early disclosures in accordance with Regulation Z, then it was acceptable for the first fee to be charged. However, no new fees may be collected up front until PMC (second lender) provides the early disclosures in accordance with Regulation Z.

2. TRUTH-IN-LENDING RE-DISCLOSURE

- Is there any way to avoid the re-disclosure process and adding these additional days?

Yes. There is less chance the APR will change if the following items do not change after submission; Fees, Loan Program, Interest Rate, Loan Amount, and Term.

- What fees at PMC are considered prepaid finance charges and can affect the APR?

These fees will affect the APR: Underwriting, Wire, Tax Service, Origination fee, Flood Cert, Prepaid Interest, Escrow/Closing agent fee, broker processing fee, etc.

- Are there any other special timing requirements with the Regulation Z changes?

Yes. When a loan is submitted to the lender, the delivery or mailing of the disclosures must occur at least seven (7) business days before docs. If the APR provided in the disclosures increases by more than **.125%**, lender must provide corrected disclosures, which the customers must receive at least 3 business days before loan docs were released.