

HIGH-COST MORTGAGE (§ 226.32) WORKSHEET

Borrower's Name	Loan Number:
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COVERAGE		
	Yes	No
Is the loan secured by the consumer's principal dwelling? [§ 226.2(a)(19), § 226.32(a)(1)]		
If the answer is No, STOP HERE		
Is the loan for the following purpose?		
1. Residential Mortgage Transaction – [§ 226.2(a)(24)]		
2. Reverse Mortgage Transaction – [§ 226.33]		
3. Open-End Credit Plan – Subpart B [note prohibition against structuring loans as open-end plans to evade § 226.32 – [§ 226.34(b)]]		
If the answer is Yes to Box 1, 2, or 3, STOP HERE. If No, continue to Test 1.		

TEST 1 – CALCULATION OF APR		
A. Disclosed APR		
B. Treasury Security Yield of Comparable Maturity Obtain the Treasury Constant Maturities Yield from the FRB’s Statistical Release, H-15 – Selected Interest Rates (the “Business” links will display daily yields). Use the yield that has the most comparable maturity to the loan term and is from the 15 th day of the month that immediately precedes the month of the application. If the 15 th is not a business day, use the yield for the business day immediately preceding the 15 th . If the loan term is exactly halfway between two published security maturities, use the lower of the two yields.) Note: Creditors may use the FRB’s Selected Interest Rates or the actual auction results. See Staff Commentary to Regulation Z for further details. [§ 226.32(a)(1)(i)] http://www.federalreserve.gov/releases/H15/data.htm		
C. Treasury Security Yield of Comparable Maturity (Box B) <u>Plus:</u> 8 percentage points for first-lien loan; or 10 percentage points for subordinate-lien loan		
	Yes	No
D. Is Box A greater than Box C?		
If Yes, the transaction is a High-Cost Mortgage. If No, continue to Test 2, Points and Fees.		

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TEST 2 – CALCULATION OF POINTS AND FEES

STEP 1: Identify all Charges Paid by the Consumer at or before Loan Closing

A. Finance Charges – § 226.4(a) and (b) (Interest, including per-diem interest, and time price differential are excluded from these amounts.)

	Fee	Subtotals
Loan Points		
Mortgage Broker Fee		
Loan Service Fees		
Required Closing Agent/3 rd Party Fees		
Required Credit Insurance		
Private Mortgage Insurance		
Life of Loan Charges (flood, taxes, etc.)		
Any Other Fees Considered Finance Charges		
Subtotal		

B. Certain Non-Finance Charges Under § 226.4(c)(7) – Include fees paid by consumers only if the amount of the fee is unreasonable or if the creditor receives direct or indirect compensation from the charge or the charge is paid to an affiliate of the bank. (See the example in § 226.32(b)(1)(ii) of the commentary for further explanation.)

Title Examination		
Title Insurance		
Property Survey		
Document Preparation Charge		
Credit Report		
Appraisal		
Fee for “Initial” Flood Hazard Determination		
Pest Inspection		
Any Other Fees Not Considered Finance Charges		
Subtotal		

C. Premiums or Other Charges for Optional Credit Life, Accident, Health, or Loss-of-Income Insurance, or Debt-Cancellation Coverage

D. Total Points & Fees: Add Subtotals for A, B, C

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TEST 2 – CALCULATION OF POINTS AND FEES (continued)	
STEP 2: Determine the Total Loan Amount for Cost Calculation [226.32(a)(1)(ii)]	
A. Determine the Amount Financed [§ 226.18(b)]	
<u>Principal Loan Amount</u>	
<u>Plus:</u> Other Amounts Financed by the Lender (<i>not already included in the principal and not part of the finance charge</i>)	
<u>Less:</u> Prepaid Finance Charges [§ 226.2(a)(23)]	
<u>Equals:</u> Amount Financed	
B. Deduct costs included in the points and fees under §226.32(b)(1)(iii) and (iv) (Step 1, Box B and Box C) that are financed by the creditor	
C. Total Loan Amount (Step 2, Box A minus Box B)	

TEST 2 – CALCULATION OF POINTS AND FEES (continued)		
STEP 3: Perform High-Fee Cost Calculation		
A. Eight Percent of the Total Loan Amount (Step 2, Box C)		
B. Annual Adjustment Amount – [§ 226.32(a)(1)(ii)] <i>1999: \$441; 2000: \$451; 2001: \$465; 2002: \$480</i> <i>(use the dollar amount corresponding to the year of the loan's origination)</i>		
C. Total Points & Fees (Step 1, Box D)		
	Yes	No
In Step 3, does Box C exceed the greater of Box A or Box B?		
If Yes, the transaction is a High-Cost Mortgage. If No, the transaction is not a High-Cost Mortgage under Test 2, Points and Fees.		