



Avoiding Compliance Issues

Initial Disclosures

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Why Initial Disclosures Matter

- Regulatory Requirements: TILA (12 CFR §1026); RESPA (12 CFR §1024), ECOA (12 CFR §1002).
- A Loan Application Triggers Disclosure and Other Obligations:
Once a lender collects the 6 pieces of information, obligations under federal and state laws begin.
- Consequences of Non-Compliance: Potential Fines, sanctions, and reputational harm.



Defining an Application

Six (6) Key Data Points:

1. Name;
2. Income*;
3. Social Security Number;
4. Property Address;
5. Property Value;
6. Loan Amount.



Once these six (6) pieces of information are received, the “GFE App Date” is set, and disclosures must be provided to the applicant within three (3) business days.

(* **No Income Programs:** Streamline refinances or VA IRRLs require only five (5) data points.



Potential Dispositions*

*Not an exhaustive list of dispositions.

Withdrawn

- Per Regulation C, a file may only be dispositioned as withdrawn if the applicant expressly requested to withdraw their application (verbally or in writing).
- Complete AFN certificate documenting withdrawal request.

When you and your friend say goodbye to each other and then walk off in the same direction



Closed for Incompleteness

- Underwriting condition or Notice of Incomplete Application (NOIA) issued within thirty (30) days of application.
- NOIA grants additional thirty (30) days to provide credit decision.
- A loan may not be closed for incompleteness unless a NOIA was sent to borrower.
- A borrower failing to sign initial disclosures, failing to sign initial 1003, or failing to move forward does not constitute an incomplete application.

Denied

- This disposition is reserved for files that do not meet program requirements (e.g., minimum FICO).
- If denied within the first three (3) days, the denial notice can be provided in lieu of initial disclosures.



Initial Disclosures

Good Faith & Accuracy

Complete Fee Details Required:

- AFN pricing (rate, loan amount).
- Third-party fees (appraisal, title, escrow, mortgage insurance).
- Settlement Service Provider List (SSPL) must be accurate.

Compliance Impact

- TRID and/or ECOA Violations
 - Inaccurate Fees
 - Omitted Fees
 - Omitted Discount Points
- Errors can often be incurable (i.e., unnecessary costs to branch and/or AFN).
- Fines, consent orders, legal exposure.

System Check

- AFN pricing (rate, loan amount).
- Third-party fees (appraisal, title, escrow, mortgage insurance).
- Settlement Service Provider List (SSPL) must be accurate.



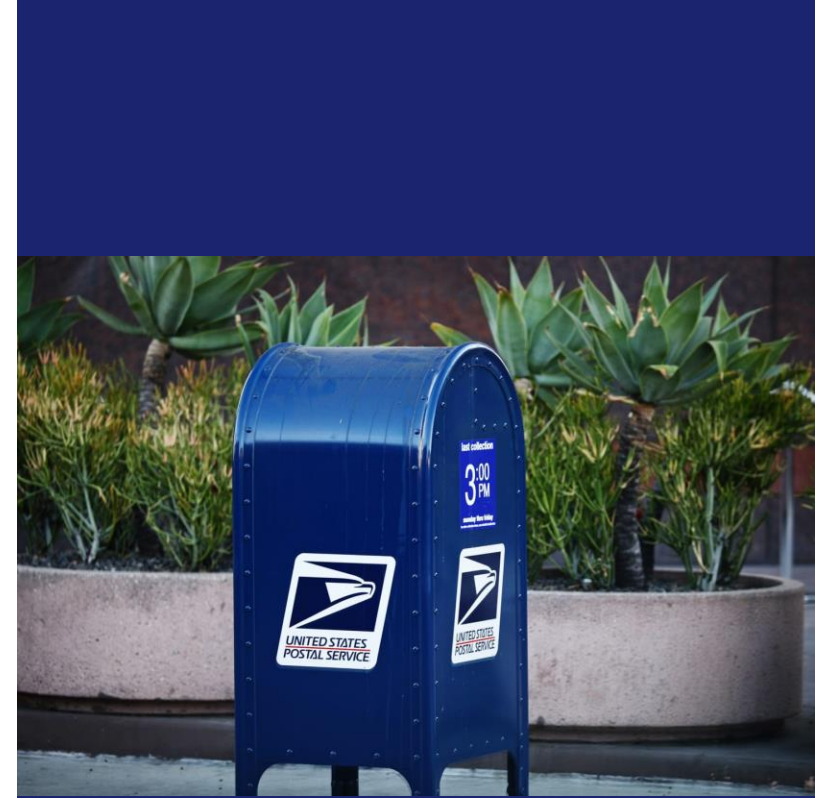
System & Day-3 Fulfillment

System Disclosure Package

- If pop-up warns of document generation failure, contact the help desk immediately (example in next slide).
- The Branch Relations Department can help if issues persist.

Day-3 Fulfillment

- The Branch Relations Department will mail disclosures if borrower does not provide e-Consent by day-3.
- If borrower does not provide e-Consent, then borrower cannot e-sign any loan documents until they provide consent.





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OK

is...

Completed 0 of 14

Select a Plan

Filter: Loan Type = FHA and Lien Pos is any of FirstLien;First Lien;First and Amortizatio...

Clear Filter

Investor	Description	Plan Code
<input type="text"/>	<input type="text"/>	<input type="text"/>
Generic	FHA Fixed Rate Open Term	

Loan

e

Gross

Occur

Avoiding Common Errors



No Generic Lender Credits: Approval required prior to including any such credits.



Seller Credits: Enter as lump sum (M3 Field).



Ensure Third-Party Fees: Use updated loan parameters to pull fees (e.g., appraisal, title, MI, etc.)



Restarting Loans: Duplicate only for channel change (Broker to Retail or vice versa), ICF (business purpose), or adding applicant after CD is issued.

AFN employees should NOT duplicate loans for reasons other than those listed above.



The Reporting Connection

**Accurate
Disclosures**

=

Accurate Reporting

HMDA / NMLS

- Incomplete or late disclosures can result in reporting errors (e.g., HMDA, NMLS, and other federal, state, and agency reporting).

Federal, State, and Agency Exams

Each loan application is subject to reporting and review by federal, state, and other agencies (e.g., Fannie Mae, HUD, Secondary Investors, etc.).





Be Mindful of Timelines/Deadlines

Disclose within three (3) days of GFE application date.



Check for e-Consent

Securing e-Consent, and promptly addressing issues, will avoid delivery delays if disclosures must be mailed.



Document Communication with Applicant

Keep records of withdrawals, NOIA notices, or denials.



Regular Staff Training

Updates on policy changes and system enhancements.



Best Practices

Complex Passwords Are a Best Practice



FALSE

Two-Factor Authentication Is

Reference Materials

[CM 23-005 Adherence to AFN Protocol Policies and Procedures \(ECOA, TRID, NOIA\)](#)

[CM23-007 Providing Initial Disclosures](#)

[CM23-010 Providing Initial Disclosures in Good Faith](#)

[Operations Processing Department Completing the Settlement Service Provider List \(SSPL\)](#)



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Questions?

We're Here to Help!



