

Attention: **Mortgage Brokers**

Reg Z Update – HPML & Escrows

New Reg Z Requirement Effective 4/01/2010

Effective for applications received on or after 04/01/2010, Reg Z requires escrow for taxes and insurance for any first mortgage loan classified as a Higher Priced Mortgage Loan (HPML). Escrow is not required for second mortgage loans.

Higher Priced Mortgage Loan according to Reg Z is defined as:

- Consumer purpose
- Closed-end transactions
- Secured by consumer's principal dwelling
- Includes non-real estate loans on mobile homes and other personal property used as the consumer's principal dwelling
- Spread between the APR on the loan and the Average Prime Offer Rates (APOR) for comparable transactions exceeds the following amounts:
 - 1.5 percentage points (150 bps) for first lien loans (first mortgages)
 - 3.5 percentage points (350 bps) for subordinate lien loans (second mortgages)

Average Prime Offer Rate (APOR) is defined as:

- Derived from the Prime Mortgage Market Survey® (PMMS) published by Freddie Mac:
<http://www.freddiemac.com/dlink/html/PMMS/display/PMMSOutputYr.jsp?year=2008>
- Based on average interest rates, points and other loan pricing terms currently offered to consumers by a representative sample of creditors for low risk mortgage transactions
- Will be published weekly by the Federal Reserve

M&I HLS' FHA and VA loan programs currently require escrow for all first mortgages.

For more info, contact M&I!

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