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Central States Health & Life Co. of Omaha

July 19, 2013

[VIA ELECTRONIC SUBMISSION]

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW, Washington, DC 20552

Re: Docket No. CFPB-2013-0018
RIN 3170-AA37
Amendments to the 2013 Mortgage Rules under the Truth in Lending Act (Regulation Z); Prohibition on Financing Credit Insurance Premiums in Connection with Consumer Credit Transactions Secured by a Dwelling.

Dear Ms. Jackson:

As a leading provider of products and services in the debt protection industry, Central States Health & Life Co. of Omaha (CSO)[1] is writing today to provide comment on the Bureau's proposal to amend and clarify its rule relating to the prohibition on creditors financing credit insurance premiums and debt cancellation fees[2] in connection with certain consumer credit transactions secured by a dwelling. We appreciate the Bureau's willingness to clarify its rules relating to the Prohibition and its effect on monthly credit insurance and debt cancellation/suspension programs.

As a preliminary matter, we wish to acknowledge our agreement with the positions advanced by Securian Financial Group, Inc. in its comment letter responding to this proposed rule. We also submit for your consideration a document that illustrates the understanding prevalent in the industry of the legal and practical issues at work relative to the prohibitions on financing credit insurance premiums. We offer the following additional comments.

First, with respect to the Bureau's proposal to define "financing" as the "right to defer payment," we join Securian in urging the Bureau to clarify that a deferral must extend "beyond the month or period in which the premium is due" to constitute 'financing.' Separately, we also request the Bureau add language, either to § 1026.36(i)(2)(ii) or to the Official Commentary, clarifying that a right to defer

1 CSO's primary business focus is the sale and administration of credit protection products in the form of voluntary credit insurance and debt cancellation programs offered directly by lender accounts, which include small national banks, community banks and credit unions. CSO is among the top 5 U. S. writers and servicers of credit insurance and debt cancellation protection. We were founded in 1932 during the Great Depression, and have over 80 years of experience in the debt protection business.

2 For simplicity, any reference to credit insurance and credit insurance premiums is also intended to include debt cancellation and debt suspension fees.

payment arises only when a creditor advances funds to the borrower. As the Bureau has indicated, at the heart of this proposed definition is a recognition that funds must be advanced for a 'financing' to occur. Adding this clarification will help Industry implement the rule properly and avoid the unintended consequence of prohibiting practices that do not otherwise rise to the level of "financing." That is, this clarification will ensure that for any scenarios that could arguably be construed as involving a right to defer payment, a 'financing' will be found only under those circumstances the rule writers contemplated – when funds have been advanced to pay the premiums.

Second, as between decreasing and levelized premiums, decreasing premiums do not uniquely benefit consumers and are not the only monthly pay program Congress could have contemplated in Dodd-Frank when adopting the "calculated…on a monthly basis" language in the exception. The Model Home Loan Protection Act, the result of a 2001 joint effort of the AARP and the National Consumer Law Center (NCLC), does appear to be the genesis of the "calculated…on a monthly basis" exception in Dodd-Frank. The commentary to the Model Act does not expressly explain what "calculated…on a monthly basis" was intended to mean. The commentary does, however, identify monthly outstanding balance (MOB) products as a preferable alternative to single-premium credit insurance, because they prevent equity stripping and are paid for on a monthly basis allowing borrowers to cancel protection at any time.

These characteristics are not unique to MOB products – they apply equally to levelized premium products as well. Levelized premiums are paid for on a monthly basis and provide protection for only one month; no funds are advanced to pay for the premiums, preserving the borrower's equity; and a borrower can cancel protection immediately whenever he or she decides to do so.

Importantly, levelized premium products were omitted from the Model Act commentary because they did not exist at the time the Model Act was developed. After the Model Act was created in 2001, several states and the OCC adopted similar prohibitions on premium financing. As a result of these single-premium prohibitions, levelized premium programs were created by industry actuaries as an equally favorable alternative for those financial institutions whose loan systems could not accommodate a re-calculation of premium every month under an MOB program. Levelized premiums were also created as a means for these financial institutions to provide consumers the predictability and convenience of making the same loan payment every month. Since these single-premium prohibitions were enacted, Fannie Mae and Freddie Mac have accepted loans with both MOB and levelized monthly premiums, tacitly recognizing that both programs are a viable means of protecting consumer interests.

Thus, while AARP and NCLC identified MOB as the preferable alternative to single-premium in the Model Act commentary, there is no basis in fact or reason to conclude MOB is the only viable or preferable alternative and, therefore, the only logical way to interpret "calculated…on a monthly basis." We respectfully urge the Bureau to follow the lead of organizations such as Fannie Mae and Freddie Mac in interpreting the meaning of "calculated…on a monthly basis" to include levelized premiums.[3]

[3] A key distinguishing factor that sets single-fee products apart from fees calculated on a monthly basis is that a single-fee factors investment income generated by the up-front fee along with the fee itself to adequately cover the risk being protected. Because monthly pay-as-you-go programs do not have the benefit of investment income because fees are paid monthly rather than up front, the factors used in developing the monthly rate must be altered to adequately account for the full risk being protected. Simply dividing the single-fee amount by the term of the loan will not adequately cover the risk being protected and is, therefore, not a method we have seen used in the marketplace because it is not truly calculated on a monthly basis.

Additionally, we respectfully submit that MOB is not the only 'straight forward approach' to defining "calculated…on a monthly basis." There is simply no historical basis, legislative or otherwise, to conclude that the factors in calculating a premium must change monthly. Neither Dodd-Frank nor the Model Act or its commentary state that factors in the premium calculation must change monthly to be considered "calculated…on a monthly basis." The process of developing the rate used in calculating a levelized premium is no more or less arduous than rate making in the MOB context and utilizes factors and lapse assumptions that necessarily center on the idea that the resulting premium will be paid for on a monthly basis.[4] To construe the exception as requiring the factors involved in calculating the premium to change monthly effectively usurps the expertise and judgment of actuaries who are uniquely positioned to create rates for monthly programs.

Finally, we request the Bureau withdraw its discussion of the "passive conduit" analogy. While the term did appear in communications the industry had with the Bureau in March 2013, it was a passing reference intended only to underscore the larger point that payments of periodic premiums or fees for which the creditor does not advance any funds are not financed. Indeed, the reference stemmed from a 1996 OCC Interpretive Letter[5] in which the OCC was asked to opine on whether monthly credit insurance premiums must be included in the amount financed. The OCC, while referencing the conduit idea, rested its conclusion that the premiums were not financed on the fact that the creditor was not advancing funds to pay for those premiums. This principal applies regardless of whether the product offered is credit insurance or debt cancellation. That is, where the creditor is not advancing funds to pay the debt cancellation fees, the fees are not financed. There is no reason to believe the OCC's conclusion would be any different if the product was debt cancellation rather than insurance.

With respect to the Bureau's request for comment regarding moving the proposed effective date of the Prohibition, for consistency purposes we respectfully request the Bureau maintain the January 10, 2014, effective date. Moreover, to the extent the proposed rule left many open issues unresolved, industry cannot anticipate or begin making preparations to implement any necessary program or systems changes in advance of a final rule and will need several months to do so following final promulgation.

Kind Regards,

Polly Faltin
Assistant Counsel

Encl.

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[4] See attached "Level Monthly Premiums Are Permitted Under The Dodd-Frank Act's Prohibition Against Financing Credit Insurance Premiums On Loans Secured By A Dwelling" for a discussion of considerations used in developing rates for levelized premium programs.

[5] OCC Interpretive Letter from Alan J. Dombrow, National Bank Examiner, to Walt Zalenszski, Attorney at Law, October 2, 1996, attached hereto as Exhibit 1.

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SECURIAN™

July 22, 2013

[VIA ELECTRONIC SUBMISSION]

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW, Washington, DC 20552.

Re: Proposal re: financing of credit insurance premiums
Docket No. CFPB-2013-0018
RIN 3170-AA37

Dear CFPB:

Securian Financial Group is a leading provider of credit insurance, debt protection, and optional mortgage life, accidental death, and disability products to banks, credit unions, and other financial institutions nationwide. We submit this letter on our behalf and on behalf of our clients.

We appreciate the Bureau's willingness to re-visit the issue of how the Dodd-Frank single premium prohibition affects monthly "pay-as-you-go" premiums for credit insurance, debt cancellation/suspension, and optional mortgage life, accidental death, and disability insurance sold on dwelling-secured mortgage loans.

We believe the Bureau should finalize the proposal as follows:

1. Adopt a definition of "financing" that (a) more clearly states that single-premium lump sum premiums are prohibited; (b) more precisely states that creditors finance premiums if they defer payment *beyond the month in which they are due*; and (c) provides for certain exceptions such as for loan modifications and forebearances;
2. Adopt a definition of "calculated on a monthly basis" that includes not only decreasing premiums but level and levelized premiums as well;
3. Withdraw the portion of the proposal regarding "passive conduits".
4. Keep the effective date January 10, 2014.

If the Bureau finalizes the proposal in this way, it will provide clear compliance expectations while providing the consumer safeguards that Dodd-Frank and the Bureau intends.

1. Scope of the Prohibition and Definition of "Financing"

We agree with the scope of the prohibition as the Bureau describes it in the proposal. The prohibition is against "financing" of premiums; the express exemption for premiums which are "calculated and paid in full on a monthly basis" is simply one exception to the rule. Thus, even if premiums do not qualify for the express exemption, they are permissible as long as they are not "financed".

<u>We believe the CFPB's first proposed definition of "financing" is the proper definition to adopt</u>. We would, however, urge the CFPB to refine the language more precisely to: (a) clarify that monthly premiums are financed only if they are deferred *beyond the month in which they are due*; (b) with this change, add a clear prohibition against single premiums (because there is no readily identifiable "period" in which a single premium is due); and (c) set forth certain circumstances or exceptions which do not constitute "financing".

Adding the language, "beyond the month in which they are due" is an important clarification and will resolve the Bureau's concern that this definition may have too many exceptions or ambiguities.

Creditors finance premiums when they advance funds to the consumer to pay the premiums. This only occurs if the payments are deferred beyond the month in which it is due, because only then do they cause the consumer's loan balance to increase from month to month, which in turn results in the creditor advancing funds. In contrast, the Bureau is aware that many credit unions, because of system constraints, mechanically add premiums to the loan balance, but then subtract those premiums within the same month when the consumer's payment is applied. In that case, at month end, the consumer's loan balance has not increased, which means the creditor has not advanced funds or deferred payment beyond the month in which the premium is due, and the monthly premium has not been financed. A slight delay between the time the premium is posted to the account and the time the payment is applied should not be construed as a "deferment" that would constitute "financing".

Conversely, the Bureau is aware of consumer advocates' contentions that some lenders may be structuring the loan in such a way that monthly premiums are added to the consumer's loan balance each month, but are not paid in full each month because the consumer's monthly payment only covers principal and interest. In such a case, the payments are being deferred *beyond the month in which they are due.* The result is that at month end, the consumer's principal balance has increased, which means the creditor has advanced funds to pay the premiums. Such a process constitutes financing and we agree that that would be prohibited.

As such, adding the language, "beyond the month in which they are due" addresses both instances – it allows for slight delays in payment or other administrative contingencies within the month in which the premium is due, but prevents a creditor from deferring the payment beyond the month in which it is due.

With this additional language, we also recommend adding language specifically prohibiting lump-sum single premiums. This is because with lump-sum single premiums, there may not be a readily identifiable, "month" in which it is due because the premium is typically "due" on one specific date – the date of loan closing. We would therefore suggest explicit language stating that creditors finance premiums if they add the premium as a lump sum to the loan balance (or withhold it from loan proceeds) at the loan's closing.

The third revision we suggest is to provide for one exception for short-term forebearances, "skip payments" and other loan modifications. These cases could be construed as prohibited financing because the creditor provides the consumer a contractual right to defer payments beyond the month in which they are due. However, the premiums are not typically added to the loan balance, so that creditors are not advancing funds and the consumer's loan balance does not increase. Also, as a policy matter, such an exception would encourage work-outs and other consumer-friendly remedies if consumers find themselves in need of help while allowing the consumer to maintain the insurance coverage that he wants.

Based on the above, we suggest the following changes to the text of 1026.36(i)(2)(ii):

> (ii) A creditor finances premiums or fees for credit insurance if it *(A) adds the premium as a lump sum to the loan balance or withholds the lump sum premium from the proceeds of the loan at loan closing; or (B) in the case of monthly or other periodic premiums, it* provides a consumer the right to defer payment of a credit insurance premium or fee owed by the consumer *beyond the month in which the premium is due.*

We also suggest adding language to the Official Commentary for 1026.36(i)(2)(ii), as follows:

> 1. *Beyond the month in which premiums are due.* Creditors finance monthly-pay premiums if they provide a right to defer payment of the premium beyond the month in which it is due (but see Comment #3 regarding forebearances and other loan modifications). For example, if a creditor adds a monthly premium to the consumer's loan balance each month without requiring the premium to be paid in full each month, the creditor is financing the premium and such a practice is prohibited. By contrast, delays in posting the consumer's payment within the month in which the premium is due do not constitute financing because the premium is paid in full in the month in which it is due.
>
> 2. *Contractual right to defer payments*. Creditors finance premiums only if they give the consumer a contractual right to defer payment beyond the month in which the premium is due. Thus, occurrences outside the scope of the contracted payment arrangement do not constitute financing. For example, the following circumstances do not constitute financing: (a) a consumer's failure to make a payment when due; (b) a grace period provided by the insurer or creditor prior to termination of the coverage for failure to make a premium payment; (c) in the case of an escrow arrangement, if eliminating a deficiency in the escrow account takes two months or more.
>
> 3. *Forebearances and other loan modifications; skip payments and payment holidays*. In certain circumstances, the creditor and consumer may agree to modify the mortgage loan post-

> consummation. Often times such modification involves an agreement to defer the consumer's monthly loan payment (which includes the premium payment) for a certain number of months. Additionally, some creditors may provide a "skip payment" or "payment holiday" where a consumer can elect to not make a monthly payment for one month or more. So long as the premiums for the months that are deferred or skipped are not added to the principal balance when payments resume, such a deferment does not constitute financing of the premiums.

This proposed Commentary would clarify for the industry under what circumstances premiums are or are not not being "deferred" or "financed" for purposes of the prohibition. This will alleviate compliance burden on creditors. At the same time, it prevents creditors from advancing funds to pay for the premiums, so that additional amounts are not being continually added to the consumer's outstanding balance.

<u>We believe the second alternative definition of "financing" (imposition of finance charges on or in connection with the premium) should be withdrawn</u>. We oppose this definition for three reasons.

First, such a definition could prohibit two widespread decreasing-premium practices in the industry:

A. *Adding monthly premiums to the loan balance which are paid later in the month, which can cause some additional interest to accrue.*

Because of system constraints, almost every credit union that offers decreasing monthly insurance and debt protection products must add the premium to the loan balance each month. This is because their systems recognize only "principal" and "interest" categories. As such, in order to charge and collect the premium as part of the consumer's loan payment, a credit union's system must add the monthly premium as "principal" each month. However, the monthly premium (and any resulting interest) is calculated to be paid in full each month. For credit unions to change this practice, they would either need to convert to an entirely new loan origination system or make extensive changes to their existing systems. This would be cost-prohibitive or extremely expensive; time-consuming and disruptive; and would have implications for the credit union's entire lending operations.

B. *Setting the consumer's monthly payment for a closed-end loan at a level amount even though the premiums decrease each month.* In such a case, additional interest will accrue on the loan because principal is being paid down slower initially compared to a loan without insurance.

This procedure is used by virtually all creditors who sell decreasing premium products on closed-end fixed-rate mortgage loans. Closed-end fixed-rate mortgages are advantageous to consumers for many reasons, and are generally the preferred type of loan for consumers, lenders, and regulators. They offer a fixed monthly payment for which it is easy to understand, anticipate, and budget.

As such, it is in both the consumer's and the creditor's interest to have a fixed monthly payment, even though the premiums decrease each month. In order to do so, the creditor calculates the total premium to be paid over the life of the loan, and then adjusts the loan's amortization schedule to set a level payment that will pay the monthly decreasing premium in full each month, plus the accrued interest for the month, plus a portion of the principal each month, so that the loan is paid in full within the agreed-upon term. In such an arrangement, additional interest will accrue over the term of the loan compared to a loan without insurance. This is because in the early months of the loan, when the decreasing premiums are the highest, more of the borrower's payment goes to premium, and less goes to principal. This means principal gets paid down slower. In the latter months of the loan, when the decreasing premiums are lower, more of the consumer's payment goes to principal. But it is not a complete "wash", and slightly more interest will be paid by the consumer.

For example, the following table[1] illustrates the first 4 months of a $25,000 loan at an interest rate of 5.00% and a term of 120 months when the loan does NOT have credit insurance on it:

(A) **Payment #**	*(B)* **Payment Date**	*(C)* **Balance BoM**	*(D)* **P&I Pmt Amt**	*(E)* **Ins Prem**	*(F)* **Fin Chg**	*(G)* **Princ Reduct**	*(H)* **Balance EoM**	*(I)* **P&I Plus Prem**
1	07/01/13	25000.00	265.16	N/A	104.17	160.99	24839.01	N/A
2	08/01/13	24839.01	265.16	N/A	103.50	161.66	24677.35	N/A
3	09/01/13	24677.35	265.16	N/A	102.82	162.34	24515.01	N/A
4	10/01/13	24515.01	265.16	N/A	102.15	163.01	24352.00	N/A

Note the rate at which interest is accruing in Column (F), the rate at which principal is being reduced in Column (G), and the Payment Amounts in Columns (D) & (I).

Now compare the same loan when credit insurance is added at a rate of $1.23 per $1000 of monthly outstanding loan balance while setting the consumer's monthly payment (principal + interest + premium) at a fixed amount of $283.57:

(A) **Payment #**	*(B)* **Payment Date**	*(C)* **Balance BoM**	*(D)* **P&I Pmt Amt**	*(E)* **Ins Prem**	*(F)* **Fin Chg**	*(G)* **Princ Reduct**	*(H)* **Balance EoM**	*(I)* **P&I Plus Prem**
1	07/01/13	25000.00	252.82	30.75	104.17	148.65	24851.35	283.57
2	08/01/13	24851.35	253.00	30.57	103.55	149.45	24701.90	283.57
3	09/01/13	24701.90	253.19	30.38	102.92	150.27	24551.63	283.57
4	10/01/13	24551.63	253.37	30.20	102.30	151.07	24400.56	283.57

One can see that principal is being paid down slower than the loan without insurance. However, the consumer's monthly payment is set to pay the monthly premium in full, while paying accruing monthly interest and a portion of principal. The consumer pays no additional principal.

The loan with credit insurance causes the consumer to pay slightly more interest over the term of the loan than the loan without credit insurance:

Total Interest, Loan with credit insurance:	$6970.03
Total Interest, Loan without credit insurance:	$6819.82
Difference:	$ 150.21 ($1.25 per month on average)

[1] See amortization schedules attached hereto as Exhibit A.

If the Bureau were to adopt the "imposition of finance charges" definition, it would prohibit this long-standing and consumer-friendly practice.

Our second reason for opposing the alternative definition is that, from a lending or operational standpoint, the premiums are simply not being "financed". As the Bureau has pointed out in its proposal, financing occurs when the creditor advances funds. In the case of monthly premiums that are paid in full each month, no funds are being advanced to the borrower, and additional principal does not accumulate. Any additional interest that accrues is a necessary function of the loan, its processing, and its amortization schedule. The second alternative definition is not an accurate reflection of what constitutes "financing".

Third, and perhaps most importantly, this definition directly contradicts the express exemption for premiums that are "calculated and paid in full on a monthly basis". This is because interest charges may accrue, but the premiums (and interest) are also paid in full each month. For example, in the illustrations above, additional interest of $1.25 per month on average accrues on the loan with insurance, as opposed to a loan without credit insurance. Under the second proposed definition, this would arguably be prohibited "financing". However, the premiums are also "calculated and paid in full on a monthly basis" and would therefore be specifically exempt under the rules. This is an untenable result. Such a contradiction would only cause the very confusion and uncertainty that the Bureau is trying to clarify in this rulemaking. We urge the Bureau to avoid such ambiguity and withdraw this definition.

2. "Calculated on a monthly basis"

The Bureau is proposing to define "calculated on a monthly basis" as premiums which are "determined mathematically by multiplying a rate by the actual monthly outstanding balance". In other words, the Bureau is proposing that only decreasing monthly outstanding balance (MOB) premiums would qualify for the express exemption. The Bureau reaches this conclusion because it is focused on the word, "calculate" and believes a separate calculation must be performed each month. We respectfully disagree with the Bureau for three reasons[2].

First, such a definition is not consistent with Congressional intent or the history of the single premium prohibition. The express exemption in Dodd-Frank states:

> Premiums and fees that are calculated and paid in full on a monthly basis shall not be considered to be financed by the creditor.

When interpreting this provision, logical questions that the Bureau has asked include, "where did this language come from?" and "why did Congress use the word, 'calculate'?

[2] We appreciate that the Bureau has stated that levelized and level monthly premiums will still be permissible as long as they are not "financed". However, distinguishing between types of monthly premiums for purposes of the express exemption will only cause confusion and disruption in the industry as creditors offering level and levelized premiums will be held to an unnecessarily higher standard than creditors offering decreasing premium products. As such, we are urging the Bureau to apply the express exemption consistently for all monthly products.

This language comes originally from the Model Home Loan Protection Act, which was published by a joint coalition of AARP and the National Consumer Law Center (NCLC) in 2001.[3] The Model Act states:

> **Insurance and Debt Cancellation Agreements**. No creditor making a home loan shall finance, directly or indirectly, any credit life, credit disability, credit unemployment or credit property insurance, or any other life or health insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract, *except that insurance premiums or debt cancellation or suspension fees* ***calculated and paid on a monthly basis*** *shall not be considered financed by the creditor (emphasis supplied).*[4]

As one can see, this language is remarkably similar to the Dodd-Frank language. When it published the Model Act, AARP and NCLC contrasted lump sum single premiums, which they were trying to prevent, and monthly-pay premiums, which they found to be an acceptable alternative. They noted that with single lump-sum premiums, lenders add the premium to the principal, thus charging interest and points on the premium. By contrast, they noted that monthly premiums were "far preferable" because they do not cause the consumer's equity to be stripped, and they can be cancelled anytime[5]. AARP and NCLC were not concerned with the mathematical computations behind monthly premiums; their concern was that monthly-premium programs did not strip equity, and could be cancelled at any time. These characteristics are also present with levelized and level premiums.

Language similar to the Model Act has been adopted by many states in their predatory mortgage lending laws. Those statutes borrow from the model law and use the term, "calculated and paid on a monthly basis" to describe the express exemption for monthly premiums.[6] None of these states distinguish between the different types of monthly premiums, and none prohibit level or levelized premiums as not being "calculated on a monthly basis".

Freddie Mac also uses the word, "calculate" when describing its exemption for monthly premiums. In its "Industry Letter" dated April 21, 2000, Freddie Mac states:

> A Mortgage is not eligible for purchase by Freddie Mac if the Borrower obtained a prepaid single-premium credit life, credit disability, credit unemployment or credit property insurance policy . . . This prohibition does not apply to credit insurance products where premiums are separately calculated, earned and paid on a monthly or other regular, periodic basis. . .

[3] *Home Loan Protection Act, A Model Statute*, AARP Public Policy Institute, National Consumer Law Center, and Self-Help Credit Union, 2001 can be found at http://www.nclc.org/images/pdf/foreclosure_mortgage/archive/home_loan_protection.pdf

[4] Id. at p. 15.

[5] Id at 17.

[6] See, e.g., Ark. Stat. 23-53-104; Ga. Stat. 7-6A-3; Wis. Stat. 428.203. For a list of laws, go to http://www.ncsl.org/issues-research/banking/mortgage-lending-practices-state-statutes.aspx

Freddie Mac does not distinguish between the types of monthly premiums, and has in fact been purchasing mortgages with level and levelized premiums on them since it imposed its single premium prohibition in 2000 and such premiums came into existence.[7]

It may also be instructive that some regulators do *not* use the term, "calculate", and yet treat monthly premiums as preferable alternatives to lump-sum premiums in the same way Freddie Mac, the consumer groups, and state legislatures have. For example, Fannie Mae stated its policy in April, 2000:

> **Prepaid Single Premium Credit Life Insurance Policies** -- Fannie Mae will not purchase or securitize any mortgage for which a prepaid single-premium credit life insurance policy was sold to the borrower in connection with the origination of the mortgage loan, regardless of whether the premium is financed in the mortgage amount or paid from the borrower's funds. This does not apply to credit life insurance policies that require separately identified premium payments on a monthly or annual basis . . . [8]

It reiterated this prohibition for debt cancellation/suspension agreements in 2004 in Fannie Mae Announcement 04-05 (August 31, 2004). Fannie Mae does not distinguish between the types of monthly premiums, and has in fact been purchasing mortgages with level and levelized premiums on them since it imposed its single premium prohibition in 2000 and such premiums came into existence.

Likewise, the OCC does not use the word, "calculate", but has provided a monthly premium exemption for both credit insurance and debt cancellation. For example, in Advisory Letter 2003-2, "Guidelines for National Banks to Guard Against Predatory and Abusive Lending Practices" [9], it cautioned banks to ensure that up-front fees are not added to the loan's principal balance without the consumer's knowledge.

The OCC also prohibits lump-sum single fees on mortgage loans as part of its Debt Cancellation and Suspension Rules. 12 CFR Section 37.3(c)(2) prohibits national banks from requiring a "lump sum, single payment for the contract payable at the outset of the contract" for residential mortgage loans.

When it issued the Final Rule, the OCC discussed its intent:

> <u>Single, lump sum payment</u>
> Several commenters urged the OCC to include in the final rule a provision prohibiting banks from requiring a customer to pay the fee for a DCC or DSA *in a single payment*. . . . They noted that customers who pay the fee in a single

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[7] Based on our industry experience.

[8] http://www.csrwire.com/press_releases/25741-Fannie-Mae-Chairman-Announces-New-Loan-Guidelines-to-Combat-Predatory-Lending-Practices

[9] 2009 WL 2813174 (C.C.H.)

> payment routinely add the amount of the fee to the amount borrowed, which means that customers will pay interest on the fee for the life of the loan.
>
> * * * * *
>
> To guard against that result, the final rule prohibits a national bank from requiring a customer to pay the fee for a DCC or DSA in a single payment, payable at the outset of the contract, if the debt that is the subject of the contract is a residential mortgage loan.[10]

As one can see, the consumer groups, state legislators, Fannie Mae, Freddie Mac, and the OCC sought to prevent lump-sum single premiums. Moreover, they all view monthly premiums as an acceptable alternative. None distinguish between types of monthly premiums. This was the context in which Congress was working when it was forging Dodd-Frank. It is reasonable to conclude that Congress was aware of this status quo when it drafted the language of the Dodd-Frank prohibition.

A review of the Congressional Record supports this position. Discussion of the single premium prohibition during the Dodd-Frank process was very brief. In fact, there was no discussion of the Single Premium Prohibition during consideration of the bill that finally became the Dodd-Frank Act, presumably because it was understood what the existing prohibition, and existing exemption, were. However, Dodd-Frank originated from a series of various bills, and examination of the Congressional Record for those bills is instructive. Language that was substantially identical to the Dodd-Frank Prohibition first appeared in 2007 as a provision in H.R.3915 -- Mortgage Reform and Anti-Predatory Lending Act of 2007[11]. While H.R. 3915 was never passed, it is the direct precursor to Title XIV of the Dodd-Frank Act. That bill also had no discussion of the prohibition in the Congressional Record.

However, about the same time in 2007, there was a brief mention of the prohibition in the Congressional Record in connection with the introduction of S. 2452[12], which would have amended the Homeownership Preservation and Protection Act. The excerpt from the Congressional Record is as follows:

> Limitation on single premium credit insurance. The bill would prohibit the **upfront payment or financing** of credit life, credit disability or credit unemployment insurance **on a single premium basis.** However, borrowers are free to purchase such insurance **with the regular mortgage payment on a periodic basis**, provided that it is **a separate transaction that can be canceled**

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[10] 67 FR 58962-01 at 58966 (September 19, 2002)

[11] H.R. 3915 section (g) stated: Single Premium Credit Insurance Prohibited- No creditor may finance, directly or indirectly, in connection with any residential mortgage loan or with any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer (other than a reverse mortgage), any credit life, credit disability, credit unemployment or credit property insurance, or any other accident, loss-of-income, life or health insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract, except that insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor.

[12] No single premium prohibition language ever actually appeared in S.2452.

at any time.[13] *(emphasis in bold supplied)*

This seems clear that Congress took the same approach as the consumer groups, state legislatures, Fannie Mae, Freddie Mac, and the OCC. That is, it sought to prohibit the financing of lump-sum premiums while allowing for monthly premiums.[14] Monthly premiums are separate transactions that can be cancelled at any time (as opposed to adding one lump sum to the consumer's outstanding balance). Congress, like the various industry participants before it, made no distinction in the types of monthly premiums. Nothing in the language of Dodd-Frank or its precursors, or the Congressional Record, suggests that only decreasing premiums are "calculated on a monthly basis" or that a separate calculation with a factor that changes every month must be involved.

Based on the above, it is more reasonable to conclude that by using the word, "calculate", Congress was simply attempting to codify the status quo in the industry by mimicking language that was already law. There is no basis to conclude that Congress was imposing any additional requirements regarding mathematical computations or that it was trying to single out level and levelized premiums.

Even if Congress was trying to change the status quo, it seems more likely that it was trying to emphasize that premiums must be "paid in full", rather than they must be decreasing premiums. This is because the only substantive change Congress made to the Model Act was to insert the term, "*in full*", when referring to "paid on a monthly basis". Thus, Congress seemingly emphasized that premiums must be paid in full each month, not that they must be calculated each month or must decrease each month.

This is consistent with our second reason why "calculated on a monthly basis" should include level and levelized premiums. That is, the key to the exemption is not whether premiums are decreasing or level or levelized; rather, the key is whether the premiums are paid in full each month. If a decreasing, level, or levelized premium is not paid in full each month, it is financed and is therefore prohibited, because the premium is being added to the principal amount that the consumer is borrowing. Conversely, if a decreasing, level, or levelized premium is paid in full each month, it is not added to the principal amount borrowed, and is therefore not financed. The consumer is protected regardless of the type of monthly premium.

Finally, the third reason that "calculated on a monthly basis" should include level and levelized premiums is that there is no practical difference between the types of monthly premiums when determining whether they are financed. All are calculated to be a monthly premium, all are charged to the borrower each month, all are paid in full each month, all are collected with the loan payment each month, and all are remitted to the insurer (or retained by the creditor in the case of debt cancellation) each month. There is no reason to create a legal distinction or to hold level and levelized premiums to a higher standard under the rules by denying them the express exemption.

Based on all of the above, in order to qualify for the exemption, premiums just need to be monthly premiums, and they must be paid in full each month. The type of monthly premium is irrelevant. The

[13] *Congressional Record, Page: S15244, December 12, 2007*

[14] We agree that monthly premiums must also be paid in full each month to be permissible.

Bureau has the authority to adopt this interpretation under TILA section 105(a) and Dodd-Frank Section 1022(b)(1), and we urge the Bureau to do so.

As such, we respectfully request that the Bureau define "calculated and paid in full on a monthly basis" as follows:

> (iii) Credit insurance premiums or fees are "calculated and paid in full on a monthly basis" if they are charged on a monthly basis and paid in full by the consumer each month"~~determined mathematically by multiplying a rate by the actual monthly outstanding balance~~.

Such a definition will treat all monthly premiums the same, which will provide the industry with clear rules to follow. At the same time, it will protect against creditors adding any kind of monthly premium to the consumer's loan balance without paying them in full each month.

3. Passive Conduit Analogy

The Bureau is seeking comment on what constitutes "financed by *the creditor*". The Bureau uses a "passive conduit" analogy, and explains that if the creditor is simply acting as a passive conduit, it is not "financing" premiums. According to the proposal, a creditor acts as a passive conduit when it is simply collecting and transmitting monthly premiums from the consumer to the credit insurer, rather than advancing funds to the insurer and collecting them subsequently from the consumer. On the other hand, the Bureau states that a creditor does not act as a passive conduit if it "achieves a levelized premium by deferring payments, or portions of the payments, due to a credit insurer for a monthly outstanding balance credit insurance product (or by imposing a finance charge incident to such deferment, under the alternate definition of financing)". In such a case, the creditor would be financing the premiums. The Bureau is seeking comment on the extent to which creditors act other than a passive conduit in a manner that would constitute financing, particularly in the case of debt cancellation/suspension, where there is no credit insurer involved so that a "conduit" is not readily apparent (i.e., a two-party debt cancellation contract rather than a three-party insurance contract).

We respectfully request that this passive conduit analogy be withdrawn.[15] This is for three reasons: (1) creditors do not achieve a levelized premium by deferring payments, whether the product is credit insurance or debt protection, and as such it is not an accurate reflection of industry practices; (2) the conduit analogy is confusing and unhelpful; and (3) the conduit analogy is unnecessary.

First, creditors do not "achieve a levelized premium by deferring payments". This is not what levelizing means, and it's not how it's done. We explain as follows.

Some industry observers seem to believe that creditors levelize premiums from MOB rates by collecting less than what is owed from the consumer each month, and that the difference is being deferred and financed to the consumer's detriment. This is not the case. Levelizing premium rates is an actuarial function performed by actuaries, not creditors. It involves the *pricing* of the product; it has

[15] We acknowledge that industry used the term, "conduit" in our submission to the CFPB in March, 2013. However, that reference was to level premiums, and was meant only to demonstrate that the premiums did not affect the loan in any way. It was not meant as an exhaustive test of what constitutes, "financing" or "financed by the creditor".

nothing to do with whether the monthly premium is *financed* or not. Levelized monthly rates and decreasing MOB rates are simply two different formulas used by different creditors to determine monthly premiums.

Levelized rates are used by creditors whose loan origination systems cannot perform decreasing premium calculations. In a credit insurance setting, the insurer's actuaries determine the premium rate necessary to cover the risks associated with a pool of the general population, so that the levelized rate is actuarially equivalent to the decreasing rate that would be charged by a creditor using decreasing rates for the same pool. In other words, the actuaries simply devise two different methods of charging enough premium to cover the same risks of the same general pool. Creditors whose systems are able to perform decreasing rate calculations use the decreasing rate when selling the insurance; creditors whose systems cannot use decreasing rates use the levelized rates.

For example, suppose that Creditor ABC's systems cannot perform decreasing rate functions. So, it uses a levelized rate of $6.04 per $100 of the monthly loan payment. For a $25,000 loan to Suzy Borrower with a loan term of 120 months and a monthly payment of $282.19, the monthly insurance premium would be $17.04 per month.

Thus, Suzy Borrower owes $17.04 each month to the insurer. Creditor ABC collects $17.04 each month along with Suzy's principal and interest payment; and Creditor ABC remits $17.04 to the insurer each month. No premium payments are deferred.

Now suppose that Creditor XYZ can perform decreasing premium functions and therefore uses a rate of $1.23 per $1000 of monthly outstanding balance. For a $25,000 loan to Joe Mortgagor with a loan term of 120 months, the first month's premium is $30.75; the second month's premium is $30.55, and each month's premium decreases each month thereafter.

In Creditor XYZ's case, Joe Mortgagor owes the insurer $30.75 in the first month, and that is what is collected and remitted to the insurer. In the second month, Joe owes $30.55, and Creditor XYZ collects and remits $30.55. And so on. No premium payments are deferred.

As one can see from the above examples, there are two separate and distinct loans from different creditors to different consumers, with separate and distinct ways of calculating the monthly premiums. Even though the rates used are actuarially equivalent to cover the same risks in the same general population pool, one cannot compare the two loans, and one cannot compare $17.04 to $30.75. E.g., a creditor does not charge the borrower $30.75 while only collecting $17.04. Rather, there are simply two different methods of determining premium rates and monthly premiums that are used by two different creditors. Regardless of which way it is done, the full monthly premium is charged, collected, and remitted each month. In addition, if the borrower cancels coverage, no future premiums are due under either method. No premium payments are deferred.

All of the above applies equally if the product being sold is debt cancellation. For example, suppose Creditor ABC from the above example is selling debt cancellation rather than credit insurance. If Creditor ABC uses a third-party debt cancellation vendor (which is typically a credit insurer), it will rely on the vendor's actuaries to determine the levelized rate to be used. If Creditor ABC does not use a third-party vendor, it will have its own actuaries (or third-party actuary) determine the rate to be used to cover the risk. Even if the creditor is the party levelizing rates, however, this function is outside the loan process and is determined before the creditor launches its debt cancellation program. Once the debt cancellation program is launched, the same fee rate is used for all loans. Whether a creditor relies on a third-party vendor or uses its own actuaries, the actuaries use the same methodologies and risk assumptions to determine levelized debt cancellation rates as they would credit insurance rates.

Moreover, determining whether the fee is being financed is done exactly the same as if the product was credit insurance. Using the example above, Suzy would owe Creditor ABC $17.04 each month as her debt cancellation fee. The creditor will charge $17.04 each month, and collect $17.04 each month. Like the credit insurance examples above, no fee payments are deferred and they are therefore not financed. The only difference in the transaction is that with debt cancellation, Creditor ABC will remit the $17.04 to itself (i.e., retain it), and transfer $17.04 on its books to non-interest income.

A second reason to withdraw the conduit analogy is that it's not an accurate reflection of industry practices. It misconstrues the concept of levelizing premiums and is therefore based on a false premise. And, as the Bureau notes, it does not apply particularly well in a debt cancellation setting because there are only two parties involved. As such, the conduit analogy is confusing and not particularly helpful.

Finally, and perhaps most importantly, the conduit analogy is unnecessary if the Bureau adopts the "right to defer payment" definition of "financing". The key inquiry is whether the creditor provides the right to defer the monthly premium payments. This is the case whether the premiums are decreasing or levelized, and whether the product is credit insurance or debt cancellation. Even if a creditor were to somehow levelize premiums by deferring payments, that would be prohibited under the currently proposed "right to defer payment" definition of financing. It is unnecessary to add another layer of regulation by adopting this conduit analogy.

We respectfully request the Bureau withdraw the conduit analogy.

Moving up the Effective Date

We respectfully request the Bureau to withdraw the proposal to move up the effective date. While we can understand the Bureau's desire to impose the lump-sum single premium ban as soon as possible, moving up an effective date is virtually unprecedented and will cause more disruption in the industry. At this point, we have no way of knowing how the proposal will be finalized. Industry will need time to educate itself on the new rules so that we are not rushing under tight time frames to determine whether we are already complying with the rules, or whether we will need to make changes. If changes to loan processing systems are required, creditors and insurers will need months to implement them.

Keeping the January effective date will also provide important time for single-premium providers to convert to monthly-pay programs. Those efforts in many cases have been put on hold while the industry awaits clarification as to whether levelized premiums are permissible. This is especially true for creditors whose systems cannot make decreasing premium calculations. We note that consumers are not harmed in any significant way if single premium programs are allowed to continue until January. The current rules, and the norm in the industry, requires the single premium to be fully disclosed to the consumer at closing, and to have the consumer sign for such coverage so that the consumer provides informed consent when purchasing the product. If an unscrupulous lender were to "pack" the coverage on to the consumer's loan without the consumer's knowledge, it would be a Reg Z violation and an unfair trade practice. Therefore, there are already consumer safeguards in place to protect consumers until the ban can be implemented. The most reasonable thing to do would be to keep the effective date as already published.

Conclusion

We believe the proposal should be finalized as follows:

1. Adopt a definition of "financing" that (a) more clearly states that single-premium lump sum premiums are prohibited; (b) more precisely states that creditors finance premiums if they defer payment *beyond the month in which they are due*; and (c) provides for certain exceptions such as for loan modifications and forebearances;
2. Adopt a definition of "calculated on a monthly basis" that includes not only decreasing premiums but level and levelized premiums as well;
3. Withdraw the portion of the proposal regarding "passive conduits".
4. Keep the effective date January 10, 2014.

If the Bureau finalizes the proposal in this way, it will allow the industry to continue to provide its monthly-pay programs as an important service to its borrowers, while providing the consumer the safeguards that Dodd-Frank and the Bureau intends.

Sincerely,
/s/
Catherine Klimek
Senior Counsel

EXHIBIT A
DECREASING MONTHLY PREMIUM

LEVEL TOTAL LOAN PAYMENT

LOAN AMOUNT	25000.00		
INTEREST RATE	5.000%	MONTHLY INS RATE	1.230
TERM OF AMORT	120	Per $1000 of principal	
LOAN DATE	06/01/13		
DAYS TO 1ST PMT	30		
DAYS CAL YR	365		
FREQUENCY	12		

D I S C L O S U R E

283.57	TOTAL MONTHLY PAYMENT
282.79	FINAL PAYMENT
2057.59	PREMIUM
6970.03	FINANCE CHARGE
34,027.62	TOTAL PAYMENTS (P&I&I)

PMT #	PMT DATE	BALANCE BoM	TOTAL PMT AMT	INSURANCE PREMIUM	FIN CHG	PRINC REDUCT	BALANCE EoM
1	07/01/13	25000.00	283.57	30.75	104.17	148.65	24851.35
2	08/01/13	24851.35	283.57	30.57	103.55	149.45	24701.90
3	09/01/13	24701.90	283.57	30.38	102.92	150.27	24551.63
4	10/01/13	24551.63	283.57	30.20	102.30	151.07	24400.56
5	11/01/13	24400.56	283.57	30.01	101.67	151.89	24248.67
6	12/01/13	24248.67	283.57	29.83	101.04	152.70	24095.97
7	01/01/14	24095.97	283.57	29.64	100.40	153.53	23942.44
8	02/01/14	23942.44	283.57	29.45	99.76	154.36	23788.08
9	03/01/14	23788.08	283.57	29.26	99.12	155.19	23632.89
10	04/01/14	23632.89	283.57	29.07	98.47	156.03	23476.86
11	05/01/14	23476.86	283.57	28.88	97.82	156.87	23319.99

12	06/01/14	23319.99	283.57	28.68	97.17	157.72	23162.27
13	07/01/14	23162.27	283.57	28.49	96.51	158.57	23003.70
14	08/01/14	23003.70	283.57	28.29	95.85	159.43	22844.27
15	09/01/14	22844.27	283.57	28.10	95.18	160.29	22683.98
16	10/01/14	22683.98	283.57	27.90	94.52	161.15	22522.83
17	11/01/14	22522.83	283.57	27.70	93.85	162.02	22360.81
18	12/01/14	22360.81	283.57	27.50	93.17	162.90	22197.91
19	01/01/15	22197.91	283.57	27.30	92.49	163.78	22034.13
20	02/01/15	22034.13	283.57	27.10	91.81	164.66	21869.47
21	03/01/15	21869.47	283.57	26.90	91.12	165.55	21703.92
22	04/01/15	21703.92	283.57	26.70	90.43	166.44	21537.48
23	05/01/15	21537.48	283.57	26.49	89.74	167.34	21370.14
24	06/01/15	21370.14	283.57	26.29	89.04	168.24	21201.90
25	07/01/15	21201.90	283.57	26.08	88.34	169.15	21032.75
26	08/01/15	21032.75	283.57	25.87	87.64	170.06	20862.69
27	09/01/15	20862.69	283.57	25.66	86.93	170.98	20691.71
28	10/01/15	20691.71	283.57	25.45	86.22	171.90	20519.81
29	11/01/15	20519.81	283.57	25.24	85.50	172.83	20346.98
30	12/01/15	20346.98	283.57	25.03	84.78	173.76	20173.22
31	01/01/16	20173.22	283.57	24.81	84.06	174.70	19998.52
32	02/01/16	19998.52	283.57	24.60	83.33	175.64	19822.88
33	03/01/16	19822.88	283.57	24.38	82.60	176.59	19646.29
34	04/01/16	19646.29	283.57	24.16	81.86	177.55	19468.74
35	05/01/16	19468.74	283.57	23.95	81.12	178.50	19290.24
36	06/01/16	19290.24	283.57	23.73	80.38	179.46	19110.78
37	07/01/16	19110.78	283.57	23.51	79.63	180.43	18930.35
38	08/01/16	18930.35	283.57	23.28	78.88	181.41	18748.94
39	09/01/16	18748.94	283.57	23.06	78.12	182.39	18566.55
40	10/01/16	18566.55	283.57	22.84	77.36	183.37	18383.18
41	11/01/16	18383.18	283.57	22.61	76.60	184.36	18198.82
42	12/01/16	18198.82	283.57	22.38	75.83	185.36	18013.46
43	01/01/17	18013.46	283.57	22.16	75.06	186.35	17827.11
44	02/01/17	17827.11	283.57	21.93	74.28	187.36	17639.75
45	03/01/17	17639.75	283.57	21.70	73.50	188.37	17451.38
46	04/01/17	17451.38	283.57	21.47	72.71	189.39	17261.99
47	05/01/17	17261.99	283.57	21.23	71.92	190.42	17071.57
48	06/01/17	17071.57	283.57	21.00	71.13	191.44	16880.13
49	07/01/17	16880.13	283.57	20.76	70.33	192.48	16687.65

50	08/01/17	16687.65	283.57	20.53	69.53	193.51	16494.14
51	09/01/17	16494.14	283.57	20.29	68.73	194.55	16299.59
52	10/01/17	16299.59	283.57	20.05	67.91	195.61	16103.98
53	11/01/17	16103.98	283.57	19.81	67.10	196.66	15907.32
54	12/01/17	15907.32	283.57	19.57	66.28	197.72	15709.60
55	01/01/18	15709.60	283.57	19.32	65.46	198.79	15510.81
56	02/01/18	15510.81	283.57	19.08	64.63	199.86	15310.95
57	03/01/18	15310.95	283.57	18.83	63.80	200.94	15110.01
58	04/01/18	15110.01	283.57	18.59	62.96	202.02	14907.99
59	05/01/18	14907.99	283.57	18.34	62.12	203.11	14704.88
60	06/01/18	14704.88	283.57	18.09	61.27	204.21	14500.67
61	07/01/18	14500.67	283.57	17.84	60.42	205.31	14295.36
62	08/01/18	14295.36	283.57	17.58	59.56	206.43	14088.93
63	09/01/18	14088.93	283.57	17.33	58.70	207.54	13881.39
64	10/01/18	13881.39	283.57	17.07	57.84	208.66	13672.73
65	11/01/18	13672.73	283.57	16.82	56.97	209.78	13462.95
66	12/01/18	13462.95	283.57	16.56	56.10	210.91	13252.04
67	01/01/19	13252.04	283.57	16.30	55.22	212.05	13039.99
68	02/01/19	13039.99	283.57	16.04	54.33	213.20	12826.79
69	03/01/19	12826.79	283.57	15.78	53.44	214.35	12612.44
70	04/01/19	12612.44	283.57	15.51	52.55	215.51	12396.93
71	05/01/19	12396.93	283.57	15.25	51.65	216.67	12180.26
72	06/01/19	12180.26	283.57	14.98	50.75	217.84	11962.42
73	07/01/19	11962.42	283.57	14.71	49.84	219.02	11743.40
74	08/01/19	11743.40	283.57	14.44	48.93	220.20	11523.20
75	09/01/19	11523.20	283.57	14.17	48.01	221.39	11301.81
76	10/01/19	11301.81	283.57	13.90	47.09	222.58	11079.23
77	11/01/19	11079.23	283.57	13.63	46.16	223.78	10855.45
78	12/01/19	10855.45	283.57	13.35	45.23	224.99	10630.46
79	01/01/20	10630.46	283.57	13.08	44.29	226.20	10404.26
80	02/01/20	10404.26	283.57	12.80	43.35	227.42	10176.84
81	03/01/20	10176.84	283.57	12.52	42.40	228.65	9948.19
82	04/01/20	9948.19	283.57	12.24	41.45	229.88	9718.31
83	05/01/20	9718.31	283.57	11.95	40.49	231.13	9487.18
84	06/01/20	9487.18	283.57	11.67	39.53	232.37	9254.81
85	07/01/20	9254.81	283.57	11.38	38.56	233.63	9021.18
86	08/01/20	9021.18	283.57	11.10	37.59	234.88	8786.30
87	09/01/20	8786.30	283.57	10.81	36.61	236.15	8550.15

88	10/01/20	8550.15	283.57	10.52	35.63	237.42	8312.73
89	11/01/20	8312.73	283.57	10.22	34.64	238.71	8074.02
90	12/01/20	8074.02	283.57	9.93	33.64	240.00	7834.02
91	01/01/21	7834.02	283.57	9.64	32.64	241.29	7592.73
92	02/01/21	7592.73	283.57	9.34	31.64	242.59	7350.14
93	03/01/21	7350.14	283.57	9.04	30.63	243.90	7106.24
94	04/01/21	7106.24	283.57	8.74	29.61	245.22	6861.02
95	05/01/21	6861.02	283.57	8.44	28.59	246.54	6614.48
96	06/01/21	6614.48	283.57	8.14	27.56	247.87	6366.61
97	07/01/21	6366.61	283.57	7.83	26.53	249.21	6117.40
98	08/01/21	6117.40	283.57	7.52	25.49	250.56	5866.84
99	09/01/21	5866.84	283.57	7.22	24.45	251.90	5614.94
100	10/01/21	5614.94	283.57	6.91	23.40	253.26	5361.68
101	11/01/21	5361.68	283.57	6.59	22.34	254.64	5107.04
102	12/01/21	5107.04	283.57	6.28	21.28	256.01	4851.03
103	01/01/22	4851.03	283.57	5.97	20.21	257.39	4593.64
104	02/01/22	4593.64	283.57	5.65	19.14	258.78	4334.86
105	03/01/22	4334.86	283.57	5.33	18.06	260.18	4074.68
106	04/01/22	4074.68	283.57	5.01	16.98	261.58	3813.10
107	05/01/22	3813.10	283.57	4.69	15.89	262.99	3550.11
108	06/01/22	3550.11	283.57	4.37	14.79	264.41	3285.70
109	07/01/22	3285.70	283.57	4.04	13.69	265.84	3019.86
110	08/01/22	3019.86	283.57	3.71	12.58	267.28	2752.58
111	09/01/22	2752.58	283.57	3.39	11.47	268.71	2483.87
112	10/01/22	2483.87	283.57	3.06	10.35	270.16	2213.71
113	11/01/22	2213.71	283.57	2.72	9.22	271.63	1942.08
114	12/01/22	1942.08	283.57	2.39	8.09	273.09	1668.99
115	01/01/23	1668.99	283.57	2.05	6.95	274.57	1394.42
116	02/01/23	1394.42	283.57	1.72	5.81	276.04	1118.38
117	03/01/23	1118.38	283.57	1.38	4.66	277.53	840.85
118	04/01/23	840.85	283.57	1.03	3.50	279.04	561.81
119	05/01/23	561.81	283.57	0.69	2.34	280.54	281.27
120	06/01/23	281.27	283.57	0.35	1.17	282.05	-0.78

LOAN WITH NO INSURANCE

LOAN AMOUNT	25000.00			
INTEREST RATE	5.000%		PREMIUM RATE	0.000
TERM OF AMORT	120			
TERM OF BALLOON	120			
LOAN DATE	06/01/13			
DAYS TO 1ST PMT	30			
DAYS CAL YR	365			
FREQUENCY	12			

DISCLOSURE

265.16	PAYMENT
265.78	FINAL PAYMENT
0.00	PREMIUM
6819.82	FINANCE CHARGE
31819.82	TOTAL PAYMENTS

PMT #	PMT DATE	BALANCE BoM	PMT AMT	PREM	FIN CHG	PRINC REDUCT	BALANCE EoM
1	07/01/13	25000.00	265.16	0.00	104.17	160.99	24839.01
2	08/01/13	24839.01	265.16	0.00	103.50	161.66	24677.35
3	09/01/13	24677.35	265.16	0.00	102.82	162.34	24515.01
4	10/01/13	24515.01	265.16	0.00	102.15	163.01	24352.00
5	11/01/13	24352.00	265.16	0.00	101.47	163.69	24188.31
6	12/01/13	24188.31	265.16	0.00	100.78	164.38	24023.93
7	01/01/14	24023.93	265.16	0.00	100.10	165.06	23858.87
8	02/01/14	23858.87	265.16	0.00	99.41	165.75	23693.12
9	03/01/14	23693.12	265.16	0.00	98.72	166.44	23526.68

10	04/01/14	23526.68	265.16	0.00	98.03	167.13	23359.55
11	05/01/14	23359.55	265.16	0.00	97.33	167.83	23191.72
12	06/01/14	23191.72	265.16	0.00	96.63	168.53	23023.19
13	07/01/14	23023.19	265.16	0.00	95.93	169.23	22853.96
14	08/01/14	22853.96	265.16	0.00	95.22	169.94	22684.02
15	09/01/14	22684.02	265.16	0.00	94.52	170.64	22513.38
16	10/01/14	22513.38	265.16	0.00	93.81	171.35	22342.03
17	11/01/14	22342.03	265.16	0.00	93.09	172.07	22169.96
18	12/01/14	22169.96	265.16	0.00	92.37	172.79	21997.17
19	01/01/15	21997.17	265.16	0.00	91.65	173.51	21823.66
20	02/01/15	21823.66	265.16	0.00	90.93	174.23	21649.43
21	03/01/15	21649.43	265.16	0.00	90.21	174.95	21474.48
22	04/01/15	21474.48	265.16	0.00	89.48	175.68	21298.80
23	05/01/15	21298.80	265.16	0.00	88.75	176.41	21122.39
24	06/01/15	21122.39	265.16	0.00	88.01	177.15	20945.24
25	07/01/15	20945.24	265.16	0.00	87.27	177.89	20767.35
26	08/01/15	20767.35	265.16	0.00	86.53	178.63	20588.72
27	09/01/15	20588.72	265.16	0.00	85.79	179.37	20409.35
28	10/01/15	20409.35	265.16	0.00	85.04	180.12	20229.23
29	11/01/15	20229.23	265.16	0.00	84.29	180.87	20048.36
30	12/01/15	20048.36	265.16	0.00	83.53	181.63	19866.73
31	01/01/16	19866.73	265.16	0.00	82.78	182.38	19684.35
32	02/01/16	19684.35	265.16	0.00	82.02	183.14	19501.21
33	03/01/16	19501.21	265.16	0.00	81.26	183.90	19317.31
34	04/01/16	19317.31	265.16	0.00	80.49	184.67	19132.64
35	05/01/16	19132.64	265.16	0.00	79.72	185.44	18947.20
36	06/01/16	18947.20	265.16	0.00	78.95	186.21	18760.99
37	07/01/16	18760.99	265.16	0.00	78.17	186.99	18574.00
38	08/01/16	18574.00	265.16	0.00	77.39	187.77	18386.23
39	09/01/16	18386.23	265.16	0.00	76.61	188.55	18197.68
40	10/01/16	18197.68	265.16	0.00	75.82	189.34	18008.34
41	11/01/16	18008.34	265.16	0.00	75.03	190.13	17818.21
42	12/01/16	17818.21	265.16	0.00	74.24	190.92	17627.29
43	01/01/17	17627.29	265.16	0.00	73.45	191.71	17435.58
44	02/01/17	17435.58	265.16	0.00	72.65	192.51	17243.07
45	03/01/17	17243.07	265.16	0.00	71.85	193.31	17049.76
46	04/01/17	17049.76	265.16	0.00	71.04	194.12	16855.64
47	05/01/17	16855.64	265.16	0.00	70.23	194.93	16660.71

48	06/01/17	16660.71	265.16	0.00	69.42	195.74	16464.97
49	07/01/17	16464.97	265.16	0.00	68.60	196.56	16268.41
50	08/01/17	16268.41	265.16	0.00	67.79	197.37	16071.04
51	09/01/17	16071.04	265.16	0.00	66.96	198.20	15872.84
52	10/01/17	15872.84	265.16	0.00	66.14	199.02	15673.82
53	11/01/17	15673.82	265.16	0.00	65.31	199.85	15473.97
54	12/01/17	15473.97	265.16	0.00	64.47	200.69	15273.28
55	01/01/18	15273.28	265.16	0.00	63.64	201.52	15071.76
56	02/01/18	15071.76	265.16	0.00	62.80	202.36	14869.40
57	03/01/18	14869.40	265.16	0.00	61.96	203.20	14666.20
58	04/01/18	14666.20	265.16	0.00	61.11	204.05	14462.15
59	05/01/18	14462.15	265.16	0.00	60.26	204.90	14257.25
60	06/01/18	14257.25	265.16	0.00	59.41	205.75	14051.50
61	07/01/18	14051.50	265.16	0.00	58.55	206.61	13844.89
62	08/01/18	13844.89	265.16	0.00	57.69	207.47	13637.42
63	09/01/18	13637.42	265.16	0.00	56.82	208.34	13429.08
64	10/01/18	13429.08	265.16	0.00	55.95	209.21	13219.87
65	11/01/18	13219.87	265.16	0.00	55.08	210.08	13009.79
66	12/01/18	13009.79	265.16	0.00	54.21	210.95	12798.84
67	01/01/19	12798.84	265.16	0.00	53.33	211.83	12587.01
68	02/01/19	12587.01	265.16	0.00	52.45	212.71	12374.30
69	03/01/19	12374.30	265.16	0.00	51.56	213.60	12160.70
70	04/01/19	12160.70	265.16	0.00	50.67	214.49	11946.21
71	05/01/19	11946.21	265.16	0.00	49.78	215.38	11730.83
72	06/01/19	11730.83	265.16	0.00	48.88	216.28	11514.55
73	07/01/19	11514.55	265.16	0.00	47.98	217.18	11297.37
74	08/01/19	11297.37	265.16	0.00	47.07	218.09	11079.28
75	09/01/19	11079.28	265.16	0.00	46.16	219.00	10860.28
76	10/01/19	10860.28	265.16	0.00	45.25	219.91	10640.37
77	11/01/19	10640.37	265.16	0.00	44.33	220.83	10419.54
78	12/01/19	10419.54	265.16	0.00	43.41	221.75	10197.79
79	01/01/20	10197.79	265.16	0.00	42.49	222.67	9975.12
80	02/01/20	9975.12	265.16	0.00	41.56	223.60	9751.52
81	03/01/20	9751.52	265.16	0.00	40.63	224.53	9526.99
82	04/01/20	9526.99	265.16	0.00	39.70	225.46	9301.53
83	05/01/20	9301.53	265.16	0.00	38.76	226.40	9075.13
84	06/01/20	9075.13	265.16	0.00	37.81	227.35	8847.78
85	07/01/20	8847.78	265.16	0.00	36.87	228.29	8619.49

86	08/01/20	8619.49	265.16	0.00	35.91	229.25	8390.24
87	09/01/20	8390.24	265.16	0.00	34.96	230.20	8160.04
88	10/01/20	8160.04	265.16	0.00	34.00	231.16	7928.88
89	11/01/20	7928.88	265.16	0.00	33.04	232.12	7696.76
90	12/01/20	7696.76	265.16	0.00	32.07	233.09	7463.67
91	01/01/21	7463.67	265.16	0.00	31.10	234.06	7229.61
92	02/01/21	7229.61	265.16	0.00	30.12	235.04	6994.57
93	03/01/21	6994.57	265.16	0.00	29.14	236.02	6758.55
94	04/01/21	6758.55	265.16	0.00	28.16	237.00	6521.55
95	05/01/21	6521.55	265.16	0.00	27.17	237.99	6283.56
96	06/01/21	6283.56	265.16	0.00	26.18	238.98	6044.58
97	07/01/21	6044.58	265.16	0.00	25.19	239.97	5804.61
98	08/01/21	5804.61	265.16	0.00	24.19	240.97	5563.64
99	09/01/21	5563.64	265.16	0.00	23.18	241.98	5321.66
100	10/01/21	5321.66	265.16	0.00	22.17	242.99	5078.67
101	11/01/21	5078.67	265.16	0.00	21.16	244.00	4834.67
102	12/01/21	4834.67	265.16	0.00	20.14	245.02	4589.65
103	01/01/22	4589.65	265.16	0.00	19.12	246.04	4343.61
104	02/01/22	4343.61	265.16	0.00	18.10	247.06	4096.55
105	03/01/22	4096.55	265.16	0.00	17.07	248.09	3848.46
106	04/01/22	3848.46	265.16	0.00	16.04	249.12	3599.34
107	05/01/22	3599.34	265.16	0.00	15.00	250.16	3349.18
108	06/01/22	3349.18	265.16	0.00	13.95	251.21	3097.97
109	07/01/22	3097.97	265.16	0.00	12.91	252.25	2845.72
110	08/01/22	2845.72	265.16	0.00	11.86	253.30	2592.42
111	09/01/22	2592.42	265.16	0.00	10.80	254.36	2338.06
112	10/01/22	2338.06	265.16	0.00	9.74	255.42	2082.64
113	11/01/22	2082.64	265.16	0.00	8.68	256.48	1826.16
114	12/01/22	1826.16	265.16	0.00	7.61	257.55	1568.61
115	01/01/23	1568.61	265.16	0.00	6.54	258.62	1309.99
116	02/01/23	1309.99	265.16	0.00	5.46	259.70	1050.29
117	03/01/23	1050.29	265.16	0.00	4.38	260.78	789.51
118	04/01/23	789.51	265.16	0.00	3.29	261.87	527.64
119	05/01/23	527.64	265.16	0.00	2.20	262.96	264.68
120	06/01/23	264.68	265.16	0.00	1.10	264.06	0.62