~~(i) Service 1,000 or fewer mortgage loans. In determining whether a small servicer services 1,000 mortgage loans or fewer, a servicer is evaluated based on its size as of January 1 for the remainder of the calendar year. A servicer that, together with its affiliates, crosses the threshold will have six months or until the beginning of the next calendar year, whichever is later, to begin compliance other than as a small servicer.~~

~~(ii) Only service mortgage loans for which the servicer (or an affiliate) is the owner or assignee or the servicer (or an affiliate) is the entity to whom the mortgage loan obligation was initially payable.◄~~

6. Appendix H to Part 1026 is amended by removing the entry for H-4(D) Variable-Rate Model Clauses (§ 1026.20(c)), adding entries for H-4(D)(1), H-4(D)(2), H-4(D)(3), and H-4(D)(4), adding entries for H-28(A), H-28(B), H-28(C), and H-28(D), and removing and adding entries in the table of contents at the beginning of the appendix to read as follows:

APPENDIX H TO PART 1026 – CLOSED-END MODEL FORMS AND CLAUSES

* * * * *

[H-4(D) Variable-Rate Model Clauses (§ 1026.20(c))**]**

►H-4(D)(1) Adjustable-Rate Mortgage Model Form (§ 1026.20(c))

H-4(D)(2) Adjustable-Rate Mortgage Sample Form (§ 1026.20(c))

H-4(D)(3) Adjustable-Rate Mortgage Model Form (§ 1026.20(d))

H-4(D)(4) Adjustable-Rate Mortgage Sample Form (§ 1026.20(d))◄

* * * * *

►H-28(A) Sample Form of Periodic Statement

H-28(B) Sample Form of Periodic Statement with Delinquency Box

H-28(C) Sample Form of Periodic Statement for a Payment-Options Loan

H-28(D) Sample Clause for Housing Counselor Contact Information◄

* * * * *

[

H-4(D)—Variable-Rate Model Clauses

Your new interest rate will be ________%, which is based on an index value of ________%.
Your previous interest rate was ________%, which was based on an index value of ________%.
[The new interest rate does not reflect a change of ________ percentage point in the index value which was not added because of ________.]
[The new payment will be $________.]
[Your new loan balance is $________.]
[Your (new) (existing) payment will not be sufficient to cover the interest due and the difference will be added to the loan amount. The payment amount needed to pay your loan in full by the end of the term at the new interest rate is $________.]
[The following interest rate adjustments have been implemented this year without changing your payment: ___________. These interest rates were based on the following index values: ________.]

]►

H-4(D)(1) Model Form for § 1026.20(c)

Changes to Your Mortgage Interest Rate and Payments on *(date)*

Under the terms of your Adjustable Rate Mortgage (ARM), you had a *(duration)* period during which your interest rate stayed the same. That period ends on *(date)*, so on that date your interest rate and mortgage payment change. After that, your interest rate may change *(frequency)* for the rest of your loan term. [Also, as of *(date)* your mortgage *(change to loan terms, features or options)*.]

	Current Rate and *(frequency)* Payment	**New** Rate and *(frequency)* Payment
Interest Rate	___%	___%
[Principal]	[$______]	[$______]
[Interest]	[$______]	[$______]
[Escrow (Taxes and Insurance)]	[$______]	[$______]
Total *(frequency)* Payment	**$______**	**$______ (due *(date)*)**

<u>Interest Rate</u>: We calculated your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is *(index)* and your margin is ___%. The *(index)* is published *(frequency)* in *(source of information)*.

[<u>Rate Limit[s]</u>]: [Your rate cannot go higher than ___% over the life of the loan.] [Your rate can change each year by no more than ___%.] [We did not include an additional ___% interest rate increase to your new rate because a rate limit applied. This additional amount may be applied when your interest rate adjusts again on *(date)*.]

<u>New Interest Rate and Monthly Payment</u>: The table above shows your new interest rate and new monthly payment. Your new payment is based on the *(index)*, your margin of __%, [other adjustment to the index], your loan balance of $______ and your remaining loan term of ___ months.

[<u>Interest-Only Payments</u>: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay $ ______ per month.]

[<u>Warning about Increase in Your Loan Balance</u>: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan or will increase the term of your loan. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay $_____ per month.]

[<u>Prepayment Penalty</u>: Keep in mind that if you pay off your loan, refinance or sell your home before *(date)*, you could be charged a penalty of up to $______.]

H-4(D)(2) Sample Form for § 1026.20(c)

July 20, 2012

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Springside Mortgage
1234 Main St
Memphis, TN 31801

Changes to Your Mortgage Interest Rate and Payments on September 1, 2012

Under the terms of your Adjustable Rate Mortgage (ARM), you had a three-year period during which your interest rate stayed the same. That period ends on September 1, 2012, so on that date your interest rate and mortgage payment change. After that, your interest rate may change annually for the rest of your loan term.

	Current Rate and Monthly Payment	**New** Rate and Monthly Payment
Interest Rate	4.25%	6.25%
Total Monthly Payment	**$983.88**	**$1,211.81 (due October 1, 2012)**

Interest Rate: We calculated your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is the 1-year LIBOR and your margin is 2.25%. The LIBOR index is published daily in the Wall Street Journal.

Rate Limits: Your rate cannot go higher than 11.625% over the life of the loan. Your rate can change each year by no more than 2.00%.

New Interest Rate and Monthly Payment: The table above shows your new interest rate and new monthly payment. Your new payment is based on the LIBOR index, your margin of 2.25%, your loan balance of $189,440 and your remaining loan term of 324 months.

Prepayment Penalty: Keep in mind that if you pay off your loan, refinance or sell your home before September 1, 2012, you could be charged a penalty of up to $3,400.00.

H-4(D)(3) Model Form for § 1026.20(d)

(Date)

Changes to Your Mortgage Interest Rate and Payments on *(date)*

Under the terms of your Adjustable Rate Mortgage (ARM), you had a *(duration)* period during which your interest rate stayed the same. That period ends on *(date)*, so on that date your interest rate may change. After that, your interest rate may change *(frequency)* for the rest of your loan term. Any change in your interest rate may also change your mortgage payment. [Also, as of *(date)* your mortgage *(change to loan terms, features or options)*.]

	Current Rate and *(frequency)* Payment	[**Estimated**] **New** Rate and *(frequency)* Payment
Interest Rate	___%	___%
[Principal]	[$______]	[$______]
[Interest]	[$______]	[$______]
[Escrow (Taxes and Insurance)]	[$______]	[$______]
Total *(frequency)* Payment	**$______**	**$______ (due *(date)*)**

Interest Rate: We [will] calculate your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is *(index)* and your margin is ___%. The *(index)* is published *(frequency)* in *(source of information)*.

[**Rate Limit[s]**]: [Your rate cannot go higher than ___% over the life of the loan.] [Your rate can change each year by no more than ___%.] [We did not include an additional ___% interest rate increase to your new rate because a rate limit applied. This additional amount may be applied when your interest rate adjusts again on *(date)*.]

New Interest Rate and Monthly Payment: The table above shows [our estimate of] your new interest rate and new monthly payment. These amounts are based on the *(index)*, your margin of __%, [other adjustment to the index], your loan balance of $______ and your remaining loan term of ___ months. [**However, if the *(index)* has changed when we calculate the exact amount of your new interest rate and payment, your new interest rate and payment may be different from the estimate above. We will send you another notice with the exact amount of your new interest rate and payment 2 to 4 months before the first new payment is due, if your new payment will be different from your current payment.**]

[**Interest-Only Payments:** Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay $ ______ per month.]

[**Warning about Increase in Your Loan Balance:** Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan or will increase the term of your loan. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay $_____ per month.]

Possible Alternatives: If you seek an alternative to the upcoming changes to your interest rate and payment, the following options may be possible (most are subject to lender approval):

- Refinance your loan with us or another lender.
- Sell your home and use the proceeds to pay off your current loan.
- Modify your loan terms with us.
- Payment forbearance temporarily gives you more time to pay your monthly payment.

[**Prepayment Penalty:** Keep in mind that if you pay off your loan, refinance or sell your home before *(date)*, you could be charged a penalty of up to $______.]

(Continued on other side)

<u>If You Anticipate Problems Making Your Payments</u>: Contact *(mortgage company)* at *(telephone number)* [or *(email address)*] as soon as possible. If you would like counseling or assistance, you can contact the following:

- [U.S. Department of Housing and Urban Development (HUD): For a list of counseling agencies or programs in your area, go to *(internet address of the U.S. Department of Housing and Urban Development)* or call *(telephone number)*.] [U.S. Consumer Financial Protection Bureau (CFPB) Counseling Agency List: For a list of counseling agencies and programs in your area, go to *(internet address of U.S. Consumer Financial Protection Bureau Counseling Agency List)* or call (*telephone number*).]

- *(State Housing Finance Agency)*
  (Address)
  (Telephone Number)
  (Internet Address)

H-4(D)(4) Sample Form for § 1026.20(d)

February 15, 2012

Jordan and Dana Smith
4700 Jones Drive
Memphis, TN 38109

Springside Mortgage
1234 Main St
Memphis, TN 31801

Changes to Your Mortgage Interest Rate and Payments on September 1, 2012

Under the terms of your Adjustable Rate Mortgage (ARM), you had a three-year period during which your interest rate stayed the same. That period ends on September 1, 2012, so on that date your interest rate may change. After that, your interest rate may change annually for the rest of your loan term. Any change in your interest rate may also change your mortgage payment. Also, as of September 1, 2012 your mortgage payment will include principal as well as interest.

	Current Rate and Monthly Payment	**Estimated** **New** Rate and Monthly Payment
Interest Rate	4.25%	6.25%
Principal	- **none** -	$237.70
Interest	$708.33	$1,041.66
Escrow (Taxes and Insurance)	$450.00	$450.00
Total Monthly Payment	**$1,158.33**	**$1,729.36 (due October 1, 2012)**

Interest Rate: We will calculate your interest rate by taking a published "index rate" and adding a certain number of percentage points, called the "margin." Under your loan agreement, your index rate is the 1-year LIBOR and your margin is 2.25%. The LIBOR index is published daily in the Wall Street Journal.

Rate Limits: Your rate cannot go higher than 11.625% over the life of the loan. Your rate can change each year by no more than 2.00%. We did not include an additional 1.00% interest rate increase to your new rate because a rate limit applied. This additional amount may be applied when your interest rate adjusts again on September 1, 2013.

New Interest Rate and Monthly Payment: The table above shows our estimate of your new interest rate and new monthly payment. These amounts are based on the LIBOR index, your margin of 2.25%, your loan balance of $200,000 and your remaining loan term of 324 months. **However, if the LIBOR index has changed when we calculate the exact amount of your new interest rate and payment, your new interest rate and payment may be different from the estimate above. We will send you another notice with the exact amount of your new interest rate and payment 2 to 4 months before the first new payment is due, if your new payment will be different from your current payment.**

Possible Alternatives: If you seek an alternative to the upcoming changes to your interest rate and payment, the following options may be possible (most are subject to lender approval):

- Refinance your loan with us or another lender.
- Sell your home and use the proceeds to pay off your current loan.
- Modify your loan terms with us.
- Payment forbearance temporarily gives you more time to pay your monthly payment.

Prepayment Penalty: Keep in mind that if you pay off your loan, refinance or sell your home before September 1, 2012, you could be charged a penalty of up to $3,400.

If You Anticipate Problems Making Your Payments: Contact Springside Mortgage at 1-800-555-4567 as soon as possible. If you would like counseling or assistance, you can contact the following:

(Continued on other side)

- U.S. Department of Housing and Urban Development (HUD): For a list of counseling agencies or programs in your area, go to http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm or call 800-569-4287.

- Tennessee Housing Development Agency
  404 James Robertson Pkwy, Ste 1200
  Nashville, TN 37243-0900
  615-815-2200 or 1-800-228-THDA
  www.thda.org

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