

# Working with 0% Products

## User Guide

Last revised on October 22, 2021

© 2021 ICE Mortgage Technology

© 2021 ICE Mortgage Technology. All rights reserved. Encompass® and the ICE Mortgage Technology logos are trademarks or registered trademarks of ICE Mortgage Technology or its subsidiaries. Other company and product names may be trademarks of their respective owners.

# Table of Contents

---

<b>Overview .....</b>	<b>4</b>
<b>Working with 0% Products .....</b>	<b>5</b>
Originating 0% Amortizing Loans .....	7
Originating 0% Loans with No Payment .....	10
Piggyback Loans .....	14
Third Liens .....	20
Using RESPA-TILA 2015 Disclosures: LE/CD: Adjustments and Credits .....	24
Using RESPA 2010 Forms .....	25
Underwriting .....	25
<b>Configuring 0% Products .....</b>	<b>26</b>

## Overview

With affordable housing becoming a growing concern across the housing industry, there are a growing number of loan programs that are targeted at increasing home ownership for low to moderate income borrowers as well as increasing the availability of affordable units within communities. Programs managed by state and local Housing Finance Agencies (HFAs) provide down payment and closing cost assistance to borrowers who may not otherwise be able to qualify for a loan under conventional underwriting guidelines. Nonprofit groups such as Habitat for Humanity also provide programs that address not only down payment and closing costs, but the first mortgage as well. Fannie Mae and Freddie Mac also have loan programs that can be originated with a conventional first lien paired with an affordable second mortgage.

With traditional mortgage loans, the note rate and term are used to generate an amortizing payment. However, for affordable lending, some programs at 0% do not require immediate repayment. In some cases, the loan is fully forgiven through the term of the loan. These types of deferred and forgivable loans will also include terms with which the borrower must comply to retain the no payment option (residency requirements, length of stay in the home, and others, depending on the program). These terms must be disclosed with the documents the borrower will sign at closing. Depending on your state agency, Encompass may provide these documents (Plan Code required).

Encompass will now support three options for disclosing the terms of a 0% payment loan. The choice of which option is dependent on the requirements from the program sponsor in terms of how the loan should be disclosed to the consumer.

Option	Impact
Amortizing Payment	Repayable loan - Encompass will calculate an amortizing payment at 0% for the loan term.
No Payment - With Balloon	Deferred Loan - Encompass will calculate the payment at \$0.00 and disclose a final payment of the loan amount as a balloon. <b>This does not mean the loan cannot be forgiven, it provides an option to disclose the maximum amount a consumer could be liable for if they do not meet the terms of the note.</b>
No Payment - Fully Forgiven	Fully Deferred Loan - Encompass will calculate the payment at \$0.00 and will not include a final payment.

Beyond the payment calculations, Encompass also supports 0% interest loans with the following features that are configurable, automatable, accurate, compliant, flexible and extensible, including:

- Support for both RESPA-TILA 2015 or RESPA 2010 forms
- Options on the RegZ-LE and RegZ-CD input form for applying simple interest calculations if needed per program guidelines

- Ability to add subordinate liens via the Piggyback Loan tool and the Verification of Additional Loans (to stack three or more liens)
- Program template support
- Ability to use Business Rules, Dynamic Data Management, and APIs with 0% loan

## Working with 0% Products

Use the 0% Payment Options drop-down list (field ID 4746) in the Interest Accrual Options section on the Reg Z-CD, RegZ-LE, and RegZ-TIL input forms to configure the parameters used for a 0% interest loan.

Interest Accrual Options	
0% Payment Option	<div>Amortizing Payment No Payment with Balloon No Payment - Fully Forgiven</div>
Interest Days/Days in a Year	
Use 366 Days in Leap Year	
Use Simple Interest Accrual	<input type="checkbox"/>
Number of Days (Biweekly, Interim Interest, Classic HELOC)	360 <input type="button" value="v"/>

The fields that display in the Interest Accrual Options section are also available in the following locations:

- The RegZ quick entry pop-up window that opens when you click the **RegZ** button on the Piggyback Loans tool.
- The Select Loan Template pop-up window that opens when you click the Find icon next to the Loan Program field (field ID 1401) on forms such as the RegZ-LE.
- Loan Program templates.

Use the **0% Payment Option** to configure how the loan should be disclosed on the projected payments table. Selection of a 0% option should be closely aligned with the language on the note being signed by the borrower. Please consult program guidelines and check with your internal compliance when configuring which options you will use.

- **Amortizing Payment** - A repayable loan with 0% interest and amortized monthly principal payments.
- **No Payment with Balloon** - A loan with 0% interest and no monthly payments with a balloon payment due at term.
- **No Payment - Fully Forgiven** - A loan with 0% interest and no monthly payments that is fully forgiven at term.



All three options can be used with fixed rate 0% loans. The No Payment options require that a loan has a fixed amortization. For ARM loans with an initial 0% interest, Encompass calculations support only the Amortizing Payment option. It is recommended that you do not select a No Payment option when working with 0% ARM loans.

The payment calculations (including the full payment schedule and the principal and interest payments) use the selection made for the **0% Payment Option** field (field ID 4746) only when a loan has a note rate (field ID 3) of 0%. When a **0% Payment Option** is selected for a loan with a rate greater than 0% (including 0.01%), the selection is not applied to the loan calculations. By default, when a loan has a note rate (field ID 3) of 0% the field is set to **Amortizing Payment**, but it can be set to a No Payment option through preconfigured loan program templates, data templates, or by a business rule or API, depending on your business practices. (If the 0% Payment Options field is left blank/null in a loan program template or data template, then this field will default to Amortizing Payment when applied to the loan.) Again, the No Payment options require that a loan has a fixed amortization. And it is recommended that you do not select a No Payment option when working with 0% ARM loans- use the Amortizing Payment option for these loans.

All three options include calculations for 0% interest products that apply to payment calculations for 0% loans using either RESPA-TILA 2015 or RESPA 2010 loan forms, including:

- Proposed P&I payments for first and second mortgages
- Qualifying payment
- Max 1st/2nd payment for ATR/QM purposes
- Max payment in 5 years for ATR/QM purposes

For loans using the RESPA-2010 forms, the 0% interest calculations are applied to the payment schedule. For loans using the RESPA-TILA 2015 forms, the 0% interest calculations are applied to the following areas in the Loan Estimate and Closing Disclosure:

- Monthly Principal and Interest table
- Balloon Payment Indicator
- Balloon Payment Amount
- Projected Payments Table
- AP Table - First Change Amounts and Maximum Payment
- APR
- Total of Payments
- Total in Five Years
- TIP %
- Finance Charge



For the APR and finance charge for 0% loans, when there are no payments and no fees, the APR is 0. When there is no payment but there are fees, there will be a small APR.

The new calculations are also supported on the following fields in HMDA Information and will be reported to the CFPB unless the loan is not reportable.




- The HMDA Interest Rate (supports and stores 0% interest)
- Field data pulled from the 2009 and 2020 URLA forms
- The interest Rate and Qualifying Rate (support and store 0% interest)

### Simple Interest Support

Some HFA programs do include a simple interest option with an interest rate greater than 0. For those programs, you can also use the Interest Accrual Section to configure the interest days in a year, leap year options, and simple interest accrual options used to calculate payment streams, P&I payments, finance charges, and APR for a loan. For a 0% interest loan, these settings will have no practical effect on the loan calculations because there is no interest being charged on the loan.

## Originating 0% Amortizing Loans

When you select **Amortizing Payment** for the **0% Payment Option** (field ID 4746) for a 0% interest loan, the monthly payment is the loan amount divided by the loan term.

Interest Accrual Options	
0% Payment Option	Amortizing Payment 
Interest Days/Days in a Year	360/360 
Use 366 Days in Leap Year	<input type="checkbox"/>
Use Simple Interest Accrual	<input type="checkbox"/>
Number of Days (Biweekly, Interim Interest, Classic HELOC)	360 

## Working with 0% Products

For example, for a 0% amortizing loan for \$36,000 with a 360-month term, the amortizing payment for the borrower is \$100.00 per month.

1003 URLA - Lender		1003 URLA P1
<b>L3. Mortgage Loan Information</b>		
<b>Mortgage Type Applied For</b> <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> USDA-RD Gov't Loan Type <input type="text"/> <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> HELOC <input type="checkbox"/> Other <input type="text"/>	<b>Terms of Loan</b> Purchase Price <input type="text" value="36,000.00"/> Loan Amount <input type="text" value="36,000.00"/> MIP / FF <input type="text"/> Total Loan Amt <input type="text" value="36,000.00"/> Note Rate <input type="text" value="0.000"/> % Qual Rate <input type="text"/> % Loan Term <input type="text" value="360"/> (months) Due In <input type="text" value="360"/> (months) <b>Monthly Pmt</b> <input type="text" value="100.00"/>	
<b>Mortgage Lien Type</b> <input type="text" value="Sub. Financing"/> <input checked="" type="checkbox"/> First Lien <input type="checkbox"/> Subordinate Lien <b>Lien Position</b> <input type="text" value="1"/>		
<b>Amortization Type</b> <input checked="" type="checkbox"/> Fixed Rate <input type="checkbox"/> Adjustable Rate <input type="text"/> If Adjustable Rate: <input type="text"/> Initial Period Prior to First Adjustment <input type="text"/> (months) Subsequent Adjustment Period <input type="text"/> (months)	<b>Proposed Monthly Payment for Property</b> First Mortgage (P & I) <input type="text" value="100.00"/> \$ Subordinate Lien(s) (P & I) <input type="text"/> \$ Homeowner's Insurance <input type="text"/> \$ Supplemental Property Insurance <input type="text"/> \$ Property Taxes <input type="text"/> \$ Mortgage Insurance <input type="text"/> \$ Association/Project Dues (Condo, Co-Op, PUD) <input type="text"/> \$ Other <input type="text" value="0.00"/> \$ <b>TOTAL</b> <input type="text" value="100.00"/> \$	
<b>Loan Features</b> <input type="checkbox"/> Balloon / Balloon Term <input type="checkbox"/> Interest Only / Interest Only Term <input type="text"/> (months) <input type="checkbox"/> Negative Amortization <input type="text"/>		



## Working with 0% Products

The payment is evenly divided across the term, and unless prepaid finance charge fees are included in the loan scenario, the loan's APR will reflect **0.00**.

<b>Loan Terms</b> <input type="checkbox"/> Customize	
Can this amount increase after closing?	
Loan Amount \$ 36,000.00	No
Interest Rate 0 %	No
Monthly Principal & Interest \$ 100.00	No
Does the loan have these features?	
Prepayment Penalty	No
Balloon Payment	No
<b>Projected Payments</b> <input type="checkbox"/> Customize <input type="button" value="Edit"/> <input type="button" value="View Payment Schedule"/>	
Period	Years 1 - 30
Principal & Interest	100.00
<input type="checkbox"/> Mortgage Insurance	<input type="checkbox"/> Only Interest 0
<input type="checkbox"/> Estimated Escrow	0
Total Est. Monthly Payment	100.00

## Originating 0% Loans with No Payment

Depending on the guidelines of the program being originated, Encompass supports two different options for 0% loans with no payments: **No Payment - Fully Forgiven** and **No Payment with Balloon**.

### *No Payment - Fully Forgiven*

For loan programs that require no payments from the borrower and include full forgiveness of the loan, Encompass provides a **0% Payment Option** for **No Payment - Fully Forgiven**.

Interest Accrual Options	
0% Payment Option	<b>No Payment - Fully Forgiven</b> ▼
Interest Days/Days in a Year	▼
Use 366 Days in Leap Year	<input type="checkbox"/>
Use Simple Interest Accrual	<input type="checkbox"/>
Number of Days (Biweekly, Interim Interest, Classic HELOC)	▼

Selecting this option generates a P&I payment of \$0.00 with no balloon included.

Loan Estimate Page 1		REGZ-LE	Itemization	LE1	LE2	LE3	CD1	CD2	CD3	CD4	CD5
<div> <div>Balloon Payment</div> <div>No ▼</div> </div>											
<div> <div>Projected Payments</div> <div> <input type="checkbox"/> Customize           <input type="button" value="Edit"/> </div> <div>View Payment Schedule</div> </div>											
Period	<div> <div>Years 1 -</div> <div>30</div> </div>										
Principal & Interest	<div>0.00</div>										
<input type="checkbox"/> Mortgage Insurance <input type="checkbox"/> Estimated Escrow	<div> <input type="checkbox"/> Only Interest  <div>0</div> <div>0</div> </div>										
Total Est. <input type="button" value="Monthly"/> Payment	<div>0.00</div>										

## Working with 0% Products

The payment schedule reflects no payments from the borrower, with a final balance adjustment of the loan amount on the last payment.

Amortization Schedule

Type of Report: ☐ Complete Schedule ☒ Yearly Schedule

MI Termination Date (78%)  Date of First Payment Without Monthly MI

MI Termination Date (80%)

Year	Pmt Date	Rate	Payment	Principal	Interest	MI	Balance
11	09/01/2032	0.000	0.00	0.00	0.00	0.00	36,000.00
12	09/01/2033	0.000	0.00	0.00	0.00	0.00	36,000.00
13	09/01/2034	0.000	0.00	0.00	0.00	0.00	36,000.00
14	09/01/2035	0.000	0.00	0.00	0.00	0.00	36,000.00
15	09/01/2036	0.000	0.00	0.00	0.00	0.00	36,000.00
16	09/01/2037	0.000	0.00	0.00	0.00	0.00	36,000.00
17	09/01/2038	0.000	0.00	0.00	0.00	0.00	36,000.00
18	09/01/2039	0.000	0.00	0.00	0.00	0.00	36,000.00
19	09/01/2040	0.000	0.00	0.00	0.00	0.00	36,000.00
20	09/01/2041	0.000	0.00	0.00	0.00	0.00	36,000.00
21	09/01/2042	0.000	0.00	0.00	0.00	0.00	36,000.00
22	09/01/2043	0.000	0.00	0.00	0.00	0.00	36,000.00
23	09/01/2044	0.000	0.00	0.00	0.00	0.00	36,000.00
24	09/01/2045	0.000	0.00	0.00	0.00	0.00	36,000.00
25	09/01/2046	0.000	0.00	0.00	0.00	0.00	36,000.00
26	09/01/2047	0.000	0.00	0.00	0.00	0.00	36,000.00
27	09/01/2048	0.000	0.00	0.00	0.00	0.00	36,000.00
28	09/01/2049	0.000	0.00	0.00	0.00	0.00	36,000.00
29	09/01/2050	0.000	0.00	0.00	0.00	0.00	36,000.00
30	09/01/2051	0.000	0.00	0.00	0.00	0.00	0.00

[Learn more...](#)

Close

Disclosures of forgiveness terms associated with the loan should be included in the document package and may need to be obtained from the Housing Finance Authority (HFA). Refer to your HFA program guidelines for documentation and disclosure requirements. Encompass does not provide support for a forgiveness schedule (i.e. the loan is forgiven at 1/360 per month over the term of the loan), however these terms can be disclosed on the note.

### No Payment with Balloon

For loan programs that require no payments from the borrower and include a balloon payment for the loan amount at the end of the loan term, Encompass provides a **0% Payment Option** for **No Payment - Fully Forgiven**.

Interest Accrual Options	
0% Payment Option	No Payment with Balloon
Interest Days/Days in a Year	360/360
Use 366 Days in Leap Year	<input type="checkbox"/>
Use Simple Interest Accrual	<input type="checkbox"/>
Number of Days (Biweekly, Interim Interest, Classic HELOC)	360

If the **0% Payment Option** (Field 4746) is set to **No Payment with Balloon**, the P&I payment for the loan reflects \$0.00 except for the final payment, which is a balloon payment for the full amount of the loan.

Loan Estimate Page 1			
REGZ-LE   Itemization   LE1   LE2   LE3   CD1   CD2   CD3   CD4   CD5   CD6			
Does the loan have these features?			
Prepayment Penalty	No		
Balloon Payment	Yes		
• You will have to pay \$ 150,000 at the end of Year 30			
Projected Payments <input type="checkbox"/> Customize <input type="button" value="Edit"/> <input type="button" value="View Payment Schedule"/>			
Period	Years 1 - 30	Final Payment	
Principal & Interest	0.00	150,000.00	
	<input type="checkbox"/> Only Interest	<input type="checkbox"/> Only Interest	
<input type="checkbox"/> Mortgage Insurance	0	0	
<input type="checkbox"/> Estimated Escrow	0	0	
Total Est. Monthly Payment	0.00	150,000.00	

## Working with 0% Products

The payment schedule reflects \$0.00 and the last payment of the term will be calculated as a balloon with the total loan amount reflected.

Amortization Schedule

Type of Report: ☒ Complete Schedule ☐ Yearly Schedule

MI Termination Date (78%) 08/25/2021 Date of First Payment Without Monthly MI

MI Termination Date (80%) 08/25/2021

Pmt#	Pmt Date	Rate	Payment	Principal	Interest	MI	Balance
342	01/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
343	02/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
344	03/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
345	04/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
346	05/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
347	06/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
348	07/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
349	08/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
350	09/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
351	10/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
352	11/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
353	12/25/2050	0.000	0.00	0.00	0.00	0.00	150,000.00
354	01/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
355	02/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
356	03/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
357	04/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
358	05/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
359	06/25/2051	0.000	0.00	0.00	0.00	0.00	150,000.00
360	07/25/2051	0.000	150,000.00	150,000.00	0.00	0.00	0.00

[Learn more...](#)Close

This option can be used with a program that has forgiveness terms that must be adhered to by the borrower if some or all of the loan is to be forgiven. This option provides disclosure to the consumer of the maximum amount which they may be responsible for if they do not comply with the terms of their loan agreement. Disclosures of forgiveness terms associated with the loan should be included in the document package and may need to be obtained from the Housing Finance Authority (HFA). Refer to your HFA program guidelines for documentation and disclosure requirements.

## Piggyback Loans

There are multiple ways to originate simultaneous transactions within Encompass, including simultaneous or 'piggyback' transactions, as well as scenarios where multiple lenders are originating loans for a single simultaneous transaction. If you are originating both loan files simultaneously for the borrower, you can originate a piggyback transaction using the Piggyback Loans tool provided by Encompass. Piggyback loans can be either closed-end mortgages or open-end HELOCs.

A quick way to create a piggyback loan is from the Subordinate Financing pop-up window, which can be accessed by clicking the **Sub. Financing** button on forms such as the 1003 URLA - Lender, RegZ-LE, and RegZ-CD.

1003 URLA - Lender		1003 URLA P1	1003 URLA P2	1003 URLA P3	1003 URLA P4	1003 URLA Lender
<b>L3. Mortgage Loan Information</b>						
<b>Mortgage Type Applied For</b> <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> USDA-RD Gov't Loan Type <input type="text"/> <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> HELOC <input type="checkbox"/> Other <input type="text"/>			<b>Terms of Loan</b> Purchase Price <input type="text" value="200,000.00"/> Loan Amount <input type="text" value="150,000.00"/> MIP / FF <input type="text"/> Total Loan Amt <input type="text" value="150,000.00"/> Note Rate <input type="text" value="0.000"/> % Qual Rate <input type="text"/> % Loan Term <input type="text" value="360"/> (months) Due In <input type="text" value="360"/> (months) Monthly Pmt <input type="text" value="416.67"/>			
<b>Mortgage Lien Type</b> <b>Sub. Financing</b> <input checked="" type="checkbox"/> First Lien <input type="checkbox"/> Subordinate Lien <b>Lien Position</b> <input type="text" value="1"/>						

## Working with 0% Products

The Subordinate Mortgage Loan Amounts pop-up window opens. This popup reflects all sources of financing attached to the subject property that could impact the Loan-to-Value or Combined-Loan-to-Value. In this purchase scenario, the current loan is a first lien for \$150,000 against a purchase price of \$200,000. The affordable lending program being originated allows for a subordinate forgivable second loan to cover the remaining balance of \$50,000. To add the second loan, click the **Add New Closed End** button.

Subordinate Mortgage Loan Amounts

**Mortgage and HELOC Liabilities** Show all VOL

Creditor/ Company Name	Liability Type	Mortgage Type	Balance	Payoff	Payment	Credit Limit	Cur. Lien Pos.	Prop. Lien Po

< >

**Loan linked to current transaction** Link to Loan Add New Closed End Add New HELOC Remove Link

Loan Number  Total Loan Amount  Initial Draw  Lien Position Type  Lien Position

**Other New Mortgage Loans on the Property You are Buying or Refinancing** View All Additional Loans

Creditor Name	Lien Position	Loan Amount/ HELOC Credit Limit	HELOC Initial Draw	Applied to Down Payment	Monthly Payment

Total Additional Loans Amount   
Total Applied to Down Payment

**Total Financing for Subject Property**

Existing Liens Paid Off

Closed End Primary Mortgage Total  150,000.00

Closed End Subordinate Mortgage Total

Total Open End (HELOC) Draw Amounts

Total Open End (HELOC) Credit Limit

**Total Ratios for Subject Property**

LTV  75.000

CLTV  75.000

HCLTV  75.000

[Learn more...](#) Close

Click **Yes** on the confirmation window to synchronize data between the two loans.

Encompass

Do you want to synchronize data between two loans?

Yes No

## Working with 0% Products

A linked second mortgage is then created starting at \$50,000, which can be modified as needed per the loan scenario. This also creates entries in the Verification of Other Loans form for each of the linked loan files, so that the cash to close will reflect the value from both loans when the URLA is printed.

Subordinate Mortgage Loan Amounts

Mortgage and HELOC Liabilities

Show all VOL

Creditor/ Company Name	Liability Type	Mortgage Type	Balance	Payoff	Payment	Credit Limit	Cur. Lien Pos.	Prop. Lien Po

<

>

Loan linked to current transaction

Link to Loan

Add New Closed End

Add New HELOC

Remove Link

Loan Number	Total Loan Amount	Initial Draw	Lien Position Type	Lien Position
	50,000.00		Subordinate	2

Other New Mortgage Loans on the Property You are Buying or Refinancing

View All Additional Loans

Creditor Name	Lien Position	Loan Amount/ HELOC Credit Limit	HELOC Initial Draw	Applied to Down Payment	Monthly Payment
	2	50,000.00		50,000.00	0.00
Total Additional Loans Amount					50,000.00
Total Applied to Down Payment					50,000.00

Total Financing for Subject Property

Existing Liens Paid Off	
Closed End Primary Mortgage Total	150,000.00
Closed End Subordinate Mortgage Total	50,000.00
Total Open End (HELOC) Draw Amounts	
Total Open End (HELOC) Credit Limit	

Total Ratios for Subject Property

LTV	75.000
CLTV	100.000
HCLTV	100.000



























Learn more...

Close



## Working with 0% Products

To apply the correct setup for the loan file, the loan officer can open the Piggyback Loan tool and click the **Find** icon next to the Loan Program field to select a pre-configured loan program template to apply to the piggyback loan.

Piggyback Loans			
1st Loan Position (Current Input)		2nd Loan Position	
<input type="button" value="New HELOC"/> <input type="button" value="New 2nd"/> <input type="button" value="Link to Loan"/> <input type="button" value="Remove Link"/>		<input type="button" value="Go to 2nd"/> <input type="button" value="Sync Data"/>	
Loan Program	Habitat First Lien 	Loan Program	Habitat First Lien 
Closing Cost Program	Basic Housing Authority 	Closing Cost Program	
Loan Type	Conventional 	Loan Type	
Property Will Be		Property Will Be	
Lien Position Type	First 	Lien Position Type	Subordinate 
Lien Position	1 	Lien Position	2 
Purpose of Loan	Purchase 	Purpose of Loan	Purchase 
Appraised Value		Appraised Value	
Purchase Price	200,000.00	Purchase Price	200,000.00
Down Payment <input type="text" value="25.000"/> %	50,000.00	Down Payment <input type="text" value=""/> %	150,000.00
Loan Amount <input type="button" value="Sub. Financing"/>	150,000.00	Loan Amount <input type="button" value="Sub. Financing"/>	50,000.00
Note Rate <input type="button" value="RegZ"/>	0.000 %	Note Rate <input type="button" value="RegZ"/>	%
Qual Rate	%	Qual Rate	%
Term	360 mths	Term	mths
Due in	360 mths	Due in	mths
Monthly Payment	 416.67	Monthly Payment	
LTV	 75.000 %	LTV	 25.000 %
CLTV	 100.000 %	CLTV	 %
TLTV	 100.000 %	TLTV	 100.000 %
HCLTV	 100.000 %	HCLTV	 %
Top Ratio	%	Top Ratio	%
Bottom Ratio	 %	Bottom Ratio	 %
Interest Only	mths	Interest Only	mths
<input type="checkbox"/> Qualify using P&I		<input type="checkbox"/> Qualify using P&I	

## Working with 0% Products

In this example, the **0% Forgiven** loan template is associated with the loan program being offered.

Select Loan Program Template

Folder: WPublic Loan Programs

Loan Programs

Name	Program Description	Plan Type	Investor
Companywide			
NA			
0% Forgiven			
2/1 Buydown			
21.3Regression			
3/1 ARM			
4_rate and Fraction			
5/1 ARM			
FHA			
Fixed Rate Loan w/M			
Gm0%			
GMD%Blank			
Habitat Subordinate - 0% 0 Pay Forgiv			
HELOC			
Hybrid eNote Enabled			
GMFHA Piggy			
Habitat Subordinate - 0% 0 Pay Forgiv			
HELOC			
Hybrid eNote Enabled			
STest_0607_01	STest_0607_Desc_	Closing Docs	Titan Capital Solu

Details

Interest Accrual Options

0% Payment Option: No Payment - Fully Forgiven

Interest Days/Days in a Year: 360/360

Use 366 Days in Leap Year: ☐

Use Simple Interest Accrual: ☐

Number of Days (Biveekly, Interim Interest, Classic HELOC): 360

Program Management

Historical Table

☐ Dynamic Historical Index Table for Important Terms Disclosure

☐ Daily Periodic Rate

☐ Monthly Periodic Rate

Teaser Rate / Period: for mths

Min. Initial Advance Amount

☐ Minimum Initial Advance Required

Minimum Initial Advance: %

Minimum Subsequent Advance Amount

Minimum Subsequent Advance: %

☐ Auto Debit Feature

Auto Debit Discount: %

Payment Fact

☐ Escrow A

☐ Installmen

Max Allowabil

Discounted

Discounted R

Minimum Paye

Minimum Paye

Min. Payment

☐ Only apply Loan Program template fields that contain a value

☐ Only apply Closing Cost template fields that contain a value

## Working with 0% Products

After applying the 0% loan program to the loan file, the payment reflects the configured options, in this case \$0.00 since a no payment option was selected. The LTV, CLTV, and HCLTV are automatically calculated in both loan files based on the total simultaneous transaction.

Piggyback Loans			
1st Loan Position (Current Input)		2nd Loan Position	
<input type="button" value="New HELOC"/> <input type="button" value="New 2nd"/> <input type="button" value="Link to Loan"/> <input type="button" value="Remove Link"/>		<input type="button" value="Go to 2nd"/> <input type="button" value="Sync Data"/>	
Loan Program	Habitat First Lien	Loan Program	0% Forgiven
Closing Cost Program	Basic Housing Authority	Closing Cost Program	
Loan Type	Conventional	Loan Type	Conventional
Property Will Be		Property Will Be	
Lien Position Type	First	Lien Position Type	Subordinate
Lien Position	1	Lien Position	2
Purpose of Loan	Purchase	Purpose of Loan	
Appraised Value		Appraised Value	
Purchase Price	200,000.00	Purchase Price	200,000.00
Down Payment 25.000 %	50,000.00	Down Payment 75.000 %	150,000.00
Loan Amount Sub. Financing	150,000.00	Loan Amount Sub. Financing	50,000.00
Note Rate RegZ	0.000 %	Note Rate RegZ	0.000 %
Qual Rate		Qual Rate	
Term	360 mths	Term	360 mths
Due in	360 mths	Due in	360 mths
Monthly Payment	416.67	Monthly Payment	0.00
LTV	75.000 %	LTV	25.000 %
CLTV	100.000 %	CLTV	100.000 %
TLTV	100.000 %	TLTV	100.000 %
HCLTV	100.000 %	HCLTV	100.000 %
Top Ratio		Top Ratio	
Bottom Ratio		Bottom Ratio	
Interest Only		Interest Only	
<input type="checkbox"/> Qualify using P&I		<input type="checkbox"/> Qualify using P&I	

## Third Liens

Some HFA programs also support stacking of three or more liens on a loan file. In the scenario described below, the loan program provides down payment assistance through a piggyback second mortgage and coverage for \$500 in closing cost fees through a no-payment third lien on the loan file.

While a third lien cannot be created through the Piggyback Loan tool, a lender working with the URLA 2020 forms can document it by using the Verification of Additional Loans form (VOAL).

### To Add a Third Lien:

1. Access the VOAL form by clicking the Forms tabs on the lower-left panel of the loan file and then clicking **Verification of Additional Loans**.  
- Or, to quickly access VOAL records from within the URLA 2020 forms, click the **Show All VOAL** button on the 1003 URLA Part 4 or 1003 URLA - Lender input form.

1003 URLA - Lender		1003 URLA P1	1003 URLA P2	1003 URLA P3	1003 URLA P4	1003 URLA P5
<b>TOTAL MORTGAGE LOANS</b>						
<b>I. Loan Amount</b>						
Loan Amount Excluding Financed Mortgage Insurance (or Mortgage Insurance Equivalent)	\$	150,000.00				
Financed Mortgage Insurance (or Mortgage Insurance Equivalent) Amount	\$					
<b>J. Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing</b> (See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)						
	\$	50,000.00				
<b>K. TOTAL MORTGAGE LOANS (Total of I and J)</b>						
	\$	200,000.00				

2. When the VOAL quick entry pop-up window opens, the entry for the linked second mortgage displays in the list at the top.

3. Click the **Add** icon on the upper-right and select or enter the follow information:

- **Account Type:** Mortgage
- **Lien Position:** 3
- **Monthly Principal and Interest:** 0.00



For a fixed rate payment loan, there is a calculator provided to determine the fixed rate payment for a given loan amount, rate and term.

- **Amount Applied to Down Payment:** 500.00



The Amount Applied to Down Payment must be entered to apply this value to cash to close. This includes the value in the Total Closed End Subordinate Loans (Field 428) amount and factors it into the Home Equity Combined Loan to Value (HCLTV) (field 1540).

## Working with 0% Products

Quick Entry - VOAL

VOAL

Name	Account Type	Lien Position	Loan Amount/HEL	Monthly Principal
	Mortgage	2	50,000.00	0.00
	Mortgage	3		0.00

Account Information

Account Type: Mortgage

Lien Position: 3

Monthly Principal And Interest: 0.00

Maximum Principal And Interest Within 5 Years: 0.00

Loan Amount/HELOC Credit Limit:

HELOC Initial Draw:

Amount Applied To Down Payment: 500.00

Source of Funds: Community Nonprofit

Payment Deferred For First Five Years: ☐

Affordable Loan: ☐

Linked Piggyback Indicator: ☐

[Learn more...](#) Close

## Working with 0% Products

After adding the third lien, the two subordinate loans display on the subordinate financing pop-up window.

Subordinate Mortgage Loan Amounts

Mortgage and HELOC Liabilities

Show all VOL

Creditor/ Company Name	Liability Type	Mortgage Type	Balance	Payoff	Payment	Credit Limit	Cur. Lien Pos.	Prop. Lien Po

<

>

Loan linked to current transaction

Link to Loan

Add New Closed End

Add New HELOC

Remove Link

Loan Number

2108EM443692

Total Loan Amount

50,000.00

Initial Draw

Lien Position Type

Subordinate

Lien Position

2

Other New Mortgage Loans on the Property You are Buying or Refinancing

View All Additional Loans

Creditor Name	Lien Position	Loan Amount/ HELOC Credit Limit	HELOC Initial Draw	Applied to Down Payment	Monthly Payment
	2	50,000.00		50,000.00	0.00
	3			500.00	0.00

Total Additional Loans Amount

50,000.00

Total Applied to Down Payment

50,500.00

Total Financing for Subject Property

Existing Liens Paid Off

Closed End Primary Mortgage Total

Closed End Subordinate Mortgage Total

Total Open End (HELOC) Draw Amounts

Total Open End (HELOC) Credit Limit

Total Ratios for Subject Property

LTV

CLTV

HCLTV

Learn more...

Close

## Using RESPA-TILA 2015 Disclosures: LE/CD: Adjustments and Credits

To disclose the correct cash to close for loans where a subordinate lien is involved, the lender must also document the proceeds of the linked loan file on the Closing Disclosure.

### To Enter the Linked Loan Amount:

1. Click the **Edit** icon for the Adjustments and Other Credits in the Calculating Cash to Close section of the Closing Disclosure Page 3 input form.

Closing Disclosure Page 3		REGZ-LE	Itemization	LE1
<b>Calculating Cash to Close</b>				
		<b>Loan Estimate</b>		<b>Final</b>
Total Closing Costs (J)		0.00		0.00
Closing Costs Paid Before Closing	-	0.00		0.00
Closing Costs Financed	-	0.00		0.00
Down Payment/Funds from Borrower		0.00		50,000.00
Deposit	-	0.00		0.00
Funds for Borrower	-	0.00		0.00
Seller Credits	-	0.00		0.00
Adjustments and Other Credits	-	0.00		0.00
<b>Cash to Close</b>		0.00		50,000.00

2. In section L on the Adjustments and Other Credits pop-up window, enter the proceeds from the linked loan in block 04.

Adjustments and Other Details

For loans planned for GSE delivery, access the UCD tab to enter details for Sections K and L to ensure data points required for the UCD export are included in the loan file. For non-GSE loans, access the Non-UCD tab.

UCD Non-UCD

Section L - Paid Already by or on Behalf of Borrower at Closing Subtotal 50,000.00

Paid Already by or on Behalf of Borrower at Closing (line 4)

Fee Description	Amount	POC	Paid By	Adjustment Type
04 Proceeds of linked second	\$ 50,000.00			
Proceeds of linked second	\$ 50,000.00	<input type="checkbox"/> POC	Borrower	Proceeds Of Subordinate Liens

Other Credits (lines 6-7)

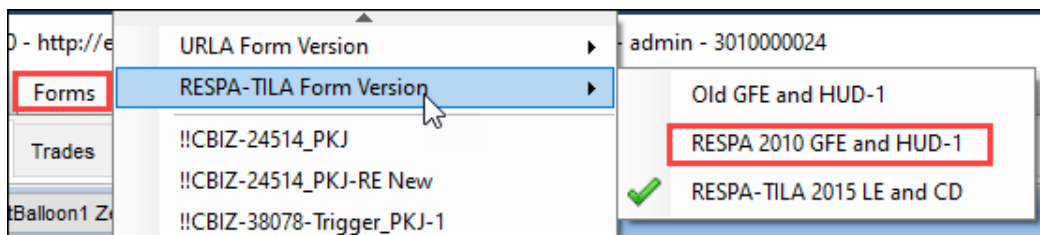
Fee Description	Amount	Paid To	POC	Paid By	Adjustment Type



## Using RESPA 2010 Forms

Because housing agency loans are generally not subject to RESPA-TILA 2015 regulations, they have discretion about which versions of disclosures documents can be used with their borrowers. Although most agencies require RESPA-TILA 2015 disclosures (the Loan Estimate and Closing Disclosure forms), some programs may require lenders to provide borrowers with the Good Faith Estimate and RegZ Truth-in-Lending documents. Encompass supports both sets of disclosures. From a calculation and process perspective, there is no difference for the 0% loan between the two versions. The primary difference is the **RESPA-TILA Form Version** applied to the loan.

When a program requires the RESPA 2010 forms, you can access the forms by clicking **Forms** on the menu bar at the top of Encompass, pointing to **RESPA-TILA Form Version**, and then clicking **RESPA-2010 GFE and HUD-1**.



Your Encompass admin can also configure your loan program templates using either version, based on the requirements of the program.

## Underwriting

Due to the nature of affordable housing loans, they will almost always require manual underwriting. Bear in mind that Fannie Mae Desktop Underwriter (DU) does not directly support underwriting for 0% interest loans, but does support first liens with a linked affordable second, including 0% loans. Refer to the loan program guidelines for the type of loan program you are originating. Some programs may require special feature codes be added to the first mortgage prior to submission to the AUS if originating a 0% subordinate lien.

## Configuring 0% Products

Administrators should consider the following issues when configuring 0% products:

- Support for 0% interest calculations are automatically applied to loan programs that have a 0% interest rate (field ID 3) and an option selected for the **0% Percent Option** drop-down (field ID 4746).
- The **Interest** field (field ID 3) and the **0% Payment Option** drop-down (field ID 4746) can be utilized to configure business rules, Data Management rules, or APIs for use with 0% interest loans.
- The Interest Accrual Options section is now available for configuration in the Loan Programs setting (**Encompass>Settings>Loan Templates>Loan Programs**) and can be used to select options for 0% payment programs.

The screenshot shows the 'Loan Program Details' window. At the top, it says 'Enter the desired values in the fields below. Values added from a plan code are read-only and cannot be changed here.' Below this are fields for 'Template Name' (0% Forgiven), 'Description', 'Closing Cost Program', and 'Loan Doc. Type Code'. A large yellow rectangular area is visible below these fields. At the bottom, the 'Interest Accrual Options' section is highlighted with a red box. This section contains the following fields:

0% Payment Option	No Payment - Fully Forgiven
Interest Days/Days in a Year	360/360
Use 366 Days in Leap Year	<input type="checkbox"/>
Use Simple Interest Accrual	<input type="checkbox"/>
Number of Days (Biweekly, Interim Interest, Classic HELOC)	360

- Guidelines for creating loan program templates:
  - Consult with your investors to determine which form version they required (RESPA-TILA 2015 or RESPA 2010) for assisted down payment loans.
  - Work with your compliance team to determine what the investor wants to disclose on the projected payments table.
  - Before selecting the 0% Payment Option for a program, work with your compliance to review the program guides from the agencies and non-profit institutions you work with. The choice may depend on the language in note.