



Principal Reduction Formats

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Principal Reduction – Paid At Closing, No Tolerance Cure, Standard CD

A principal reduction paid at closing (but not for a tolerance cure) must be disclosed in Lines K.04 through K.07. The disclosure must contain the following elements:

- The amount of the principal reduction; and
- The phrase “Principal Reduction”

Example:

Principal Reduction \$1,000.00

The amount of the principal reduction is included in all applicable calculations, such as “Adjustments and Other Credits”.

Principal Reduction – Paid At Closing, No Tolerance Cure, Alternative CD

A principal reduction paid at closing (but not for a tolerance cure) must be disclosed in the “Payoffs and Payments” table. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”; and
- The name of the payee (*i.e.*, the person receiving the reduction).

Example:

Principal Reduction to [name of consumer] \$1,000.00

The amount of the principal reduction is included in all applicable calculations, such as “Total Payoffs and Payments (K)” and “Cash to Close” amounts in the alternative “Calculating Cash to Close” table.

Principal Reduction – Paid At Closing, Tolerance Cure, Standard CD

A principal reduction paid at closing for a tolerance cure must be disclosed in Lines K.04 through K.07. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”; and
- A statement that the principal reduction is for a tolerance cure.

Example:

*Principal Reduction **for exceeding legal limits** \$1,000.00*

If there is insufficient space for the statement about the tolerance cure, then the statement (the one in red) can be omitted in Lines K.04 through K.07 – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction for exceeding legal limits. See Section K on page 3.

The amount of the principal reduction is included in all applicable calculations, such as “Adjustments and Other Credits”.

Principal Reduction – Paid At Closing, Tolerance Cure, Alternative CD

A principal reduction paid at closing for a tolerance cure must be disclosed in the “Payoffs and Payments” table. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”;
- The name of the payee (*i.e.*, the person receiving the reduction); and
- A statement that the principal reduction is for a tolerance cure.

Example:

Principal Reduction to [name of consumer] for exceeding legal limits \$1,000.00

If there is insufficient space for the statement about the tolerance cure, then the statement (the one in red) can be omitted in “Payoffs and Payments” – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction to [name of consumer] for exceeding legal limits. See Section K on page 3.

The amount of the principal reduction is included in all applicable calculations, such as “Total Payoffs and Payments (K)” and “Cash to Close” amounts in the alternative “Calculating Cash to Close” table.

Principal Reduction – Paid Outside of Closing, No Tolerance Cure, Standard CD

A principal reduction paid outside of closing (and not for a tolerance cure) must be disclosed in Lines K.04 through K.07. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”;
- The phrase “Paid Outside of Closing” or “P.O.C.”; and
- The name of the party making the payment.

Example:

\$1,000.00 Principal Reduction P.O.C. [name of lender]

If there is insufficient space for disclosing who is making the payment, then the statement (the one in red) can be omitted in Lines K.04 through K.07 – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction P.O.C. [name of lender]. See Section K on page 3.

The amount of the principal reduction is **not** included in “Calculating Cash to Close” and “Borrower’s Transaction” calculations.

Principal Reduction – Paid Outside of Closing, No Tolerance Cure, Alternative CD

A principal reduction paid outside of closing (and not for a tolerance cure) must be disclosed in the “Payoffs and Payments” table. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”;
- The name of the payee (*i.e.*, the person receiving the reduction);
- The phrase “Paid Outside of Closing” or “P.O.C.”; and
- The name of the party making the payment.

Example:

\$1,000.00 Principal Reduction to [name of consumer] P.O.C. [name of lender]

If there is insufficient space for disclosing who is making the payment, then the statement (the one in red) can be omitted in the “Payoffs and Payments” table – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction to [name of consumer] P.O.C. [name of lender]. See Section K on page 3.

The amount of the principal reduction is **not** included in “Calculating Cash to Close” and “Borrower’s Transaction” calculations.

Principal Reduction – Paid Outside of Closing, Tolerance Cure, Standard CD

A principal reduction paid outside of closing for a tolerance cure must be disclosed in Lines K.04 through K.07. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”;
- The phrase “Paid Outside of Closing” or “P.O.C.”;
- The name of the party making the payment; and
- A statement that the principal reduction is for a tolerance cure

Example:

*\$1,000.00 Principal Reduction **for exceeding legal limits** P.O.C. **[name of lender]***

If there is insufficient space for either disclosing who is making the payment or for the statement concerning the tolerance cure, then the statements (the ones in red) can be omitted in Lines K.04 through K.07 – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction for exceeding legal limits P.O.C. [name of lender]. See Section K on page 3.

The amount of the principal reduction is **not** included in “Calculating Cash to Close” and “Borrower’s Transaction” calculations.

Principal Reduction – Paid Outside of Closing, Tolerance Cure, Alternative CD

A principal reduction paid outside of closing for a tolerance cure must be disclosed in the “Payoffs and Payments” table. The disclosure must contain the following elements:

- The amount of the principal reduction;
- The phrase “Principal Reduction”;
- The name of the payee (*i.e.*, the person receiving the reduction);
- The phrase “Paid Outside of Closing” or “P.O.C.”;
- The name of the party making the payment; and
- A statement that the principal reduction is for a tolerance cure

Example:

\$1,000.00 Principal Reduction to [name of consumer] for exceeding legal limits P.O.C. [name of lender]

If there is insufficient space for either disclosing who is making the payment or for the statement concerning the tolerance cure, then the statements (the ones in red) can be omitted in the “Payoffs and Payments” table – however, a complete disclosure of the principal reduction needs to be made on the addendum, with a reference back to Section K.

Addendum Example:

\$1,000.00 Principal Reduction to [name of consumer] for exceeding legal limits P.O.C. [name of lender]. See Section K on page 3.

The amount of the principal reduction is **not** included in “Calculating Cash to Close” and “Borrower’s Transaction” calculations.