UCD Phase 3 Critical Edits Job Aid: Loan Discount Points and Lender Credits

Contents

Background

The Uniform Closing Dataset (UCD) Phase 3 critical edits were implemented as "warning" severity in Freddie Mac's and "warning to fatal" in Fannie Mae's (the GSEs') UCD collection solutions on Nov. 7, 2022 and will transition to "critical/fatal" severity on May 1, 2023. The objective of the Phase 3 critical edits is to enhance data quality in the Closing Cost Details section of the Closing Disclosure (CD), with a focus on fee types and amounts.

The purpose of this document is to review the Loan Discount Points and Lender Credits requirements, as data points related to these items on the CD must be provided in the UCD XML file, even if they are zero. It also outlines how the data in each section should be provided in the UCD file to avoid triggering Phase 3 critical edits, as specified in the UCD Critical Edits Matrix (CEM) available on the Fannie Mae and Freddie Mac UCD webpages.

UCD Data Requirements Associated with Phase 3 Critical Edits

Required Fee Component Data
Historically, each GSE's UCD collection solution has ignored or provided warnings when FEE containers only partially met UCD Specification requirements. For example, partial FEE containers might have included

only FeeType and perhaps IntegratedDisclosureSectionType but no FeeActualPaymentAmount. With the implementation of Phase 3 critical edits, partial FEE containers are no longer accepted. When FEE containers are delivered in the UCD file, they must include the following data points. If these data points are not provided, an edit with "critical/fatal" severity will be triggered beginning May 1, 2023.

- FEE_DETAIL
    - FeeType = "LoanDiscountPoints"
    - IntegratedDisclosureSectionType = "OriginationCharges"
    - FeeTotalPercent
    - FeePaidToType
    - FeePaidToTypeOtherDescription (use only when FeePaidToType = "Other")
- FEE_PAYMENT
    - FeePaidByType
    - FeeActualPaymentAmount

Although not included as critical edits, the following data points required by the UCD Specification must also be provided:
- FEE_DETAIL
    - FeePercentBasisType = "OriginalLoanAmount"
    - RegulationZPointsAndFeesIndicator

- FEE_PAYMENT
    - FeePaymentPaidOutsideOfClosingIndicator

Loan Discount Points

Loan Discount Points data is required for all loans, even when discount points are not part of the transaction. Fee Actual Payment Amount is required for Loan Discount Points and must be provided in the UCD file even when that value is zero.

If Fee Type = "**Loan Discount Points**" is not provided in the UCD file, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	**Message Text**	**Message Code**	**Message Text**
3542	Loan Discount Points must be provided, even if a $0 value.	DQC2911 CRIT0123	"The % of Loan Amount (Points) item is required in the Origination Charges section."

If Fee Type = "Loan Discount Points" is provided, but the Fee Actual Payment Amount is missing, the following edit messages will be issued:

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Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	Message Text	Message Code	Message Text
3506	Fee Actual Payment Amount is required for Loan Discount Points.	DQC1354 CRIT0133	"UCD File Error: At least one instance of FEE_PAYMENT is required for the item'"+%Fee Type (Subject Loan: UCD)%+'" in the '"+%Integrated Disclosure Section Type (Subject Loan: Fee Information: UCD)%+'" section."

NOTE: "Negative discount points" offset the borrower's closing costs and may appear on a lender's worksheet but on the CD are included in Section J Total Closing Costs as Lender Credits. Map the credited as shown under the section *Lender Credits and Lender Credit Tolerance Cure Amount – Non-Zero Value* below.

Lender Credits

Lender Credits data is required on all loans, even when there are no discount points as part of the transaction. Additionally, if the Integrated Disclosure Subsection Total Payment Amount for Lender Credits is NOT equal to zero, then the Lender Credit Tolerance Cure Amount is also required, even when its value is zero.

If Integrated Disclosure Subsection Type = "Lender Credits" is not provided in the UCD file, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	Message Text	Message Code	Message Text
3603	An Integrated Disclosure Subsection Type of 'LenderCredits' is required in the submission, even if a $0 value.	DQC1416 CRIT0090	"Lender Credits must be delivered in the Total Closing Costs Section."

If Integrated Disclosure Subsection Type = "Lender Credits" is provided in the UCD file but is NOT equal to zero and the Lender Credit Tolerance Cure Amount is not provided, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	Message Text	Message Code	Message Text
3656	A Lender Credit Tolerance Cure Amount must be provided even if $0 when an Integrated Disclosure Subsection Type of Lender Credits exists and does not equal $0.	DQC647 CRIT0093	"The tolerance cure amount must be provided when the Lender Credits amount is not $0."

Examples: CD Data Points and Associated UCD File Data by Section

Loan Discount Points – Non-Zero Value

Business Requirements
This scenario focuses on section A. Origination Charges, with the CD showing that the borrower was charged the following fees: Points and Borrower Application Fee.

Loan Costs	7.0	Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
7.1 A. Origination Charges		7.1.1 $**660.00**				
01 7.2.1 0.25% 7.2 of Loan Amount (Points)		7.2.2 **$360.00**	7.2.3			
02 7.3 Borrower Application Fee	7.3.1	7.3.2 **$300.00**	7.3.3			
03						

Technical Requirements
The following table shows an example of how the Origination Charges section heading and fees shown in the CD snippet above should be delivered in the UCD file. Note that the fee labels shown on the CD have been mapped to the valid Fee Type enumerations of "Loan Discount Points and Application Fee." Text provided by the lender on the CD can be included in the UCD file as a value of the Fee Type attribute, gse:Display Label Text. Data points that are included in Phase 3 critical edits are highlighted in light yellow.

A. Origination Charges Heading and Fees as Expected in the UCD File
<INTEGRATED_DISCLOSURE_SECTION_SUMMARIES>   <INTEGRATED_DISCLOSURE_SECTION_SUMMARY>   <INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>   <IntegratedDisclosureSectionTotalAmount>660.00</IntegratedDisclosureSectionTotalAmount>   <IntegratedDisclosureSectionType>OriginationCharges</IntegratedDisclosureSectionType>   </INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>   </INTEGRATED_DISCLOSURE_SECTION_SUMMARY>

Loan Discount Points
<FEE>   <FEE_DETAIL>   <FeePaidToType>Lender</FeePaidToType>   <FeePercentBasisType>OriginalLoanAmount</FeePercentBasisType>   <FeeTotalPercent>0.2500</FeeTotalPercent>   <FeeType>LoanDiscountPoints</FeeType>   <IntegratedDisclosureSectionType>OriginationCharges</IntegratedDisclosureSectionType>   <RegulationZPointsAndFeesIndicator>true</RegulationZPointsAndFeesIndicator>   <FEE_PAYMENT>   <FeeActualPaymentAmount>360.00</FeeActualPaymentAmount>   <FeePaymentPaidByType>Buyer</FeePaymentPaidByType>   <FeePaymentPaidOutsideOfClosingIndicator>false</FeePaymentPaidOutsideOfClosingIndicator>   </FEE_PAYMENT> <FEE>

Application Fee
<FEE>   <FEE_DETAIL>   <FeePaidToType>Lender</FeePaidToType>   <FeeType gse:DisplayLabelText="Borrower Application Fee">ApplicationFee</FeeType>   <IntegratedDisclosureSectionType>OriginationCharges</IntegratedDisclosureSectionType>   <RegulationZPointsAndFeesIndicator>true</RegulationZPointsAndFeesIndicator>   <FEE_DETAIL>   <FEE_PAYMENT>

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Loan Discount Points

`<FeeActualPaymentAmount>`**300.00**`</FeeActualPaymentAmount>`
`<FeePaymentPaidByType>`Buyer`</FeePaymentPaidByType>`
`<FeePaymentPaidOutsideOfClosingIndicator>`false`</FeePaymentPaidOutsideOfClosingIndicator>`
`<FEE_PAYMENT>`
`<FEE>`

Loan Discount Points – Zero Value

Business Requirements

This scenario focuses on section A. Origination Charges, with the CD showing that there were no Points and the borrower was charged only the Borrower Application Fee.

Loan Costs	7.0	Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
7.1 A. Origination Charges		7.1.1 $300.00				
01 7.2.1 0% 7.2 of Loan Amount (Points)		7.2.2 $0.00	7.2.3			
02 7.3 Borrower Application Fee	7.3.1	7.3.2 $300.00	7.3.3			
03						

Technical Requirements

The following table shows an example of how the Origination Charges section heading and fees shown in the CD snippet above should be delivered in the UCD file, including providing the required zero value for Points. Note that the fee labels provided on the CD have been mapped to the valid Fee Type enumerations of "Loan Discount Points and Application Fee." Data points that are included in Phase 3 critical edits are highlighted in light yellow.

A. Origination Charges Heading and Fees as Expected in the UCD File

`<INTEGRATED_DISCLOSURE_SECTION_SUMMARIES>`
 `<INTEGRATED_DISCLOSURE_SECTION_SUMMARY>`
  `<INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>`
   `<IntegratedDisclosureSectionTotalAmount>`**300.00**`</IntegratedDisclosureSectionTotalAmount>`
   `<IntegratedDisclosureSectionType>`**OriginationCharges**`</IntegratedDisclosureSectionType>`
  `</INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>`
 `</INTEGRATED_DISCLOSURE_SECTION_SUMMARY>`

As illustrated in the "Loan Discount Points" table, because the value for Fee Actual Payment Amount is "0.00", data points Fee Paid To Type and Fee Payment Paid By Type are not required in the UCD file.

Loan Discount Points

`<FEE>`
 `<FEE_DETAIL>`
  `<FeePaidToType>`Lender`</FeePaidToType>`
  `<FeeType>`LoanDiscountPoints`</FeeType>`
  `<IntegratedDisclosureSectionType>`OriginationCharges`</IntegratedDisclosureSectionType>`
  `<RegulationZPointsAndFeesIndicator>`true`</RegulationZPointsAndFeesIndicator>`
 `<FEE_PAYMENT>`
  `<FeeActualPaymentAmount>`0.00`</FeeActualPaymentAmount>`
  `<FeePaymentPaidByType>`Buyer`</FeePaymentPaidByType>`
  `<FeePaymentPaidOutsideOfClosingIndicator>`false`</FeePaymentPaidOutsideOfClosingIndicator>`
 `<FEE_PAYMENT>`
`<FEE>`

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Text provided by the lender on the CD can be included in the UCD file as a value of the Fee Type attribute, gse:Display Label Text.

Application Fee

<FEE>
  <FEE_DETAIL>
    <FeePaidToType>Lender</FeePaidToType>
    <FeeType gse:DisplayLabelText="Borrower Application Fee">ApplicationFee</FeeType>
    <IntegratedDisclosureSectionType>OriginationCharges</IntegratedDisclosureSectionType>
    <RegulationZPointsAndFeesIndicator>true</RegulationZPointsAndFeesIndicator>
  <FEE_DETAIL>
  <FEE_PAYMENT>
    <FeeActualPaymentAmount>300.00</FeeActualPaymentAmount>
    <FeePaymentPaidByType>Buyer</FeePaymentPaidByType>
    <FeePaymentPaidOutsideOfClosingIndicator>false</FeePaymentPaidOutsideOfClosingIndicator>
  <FEE_PAYMENT>
<FEE>

Lender Credits – Zero Value

Business Requirement
This scenario focuses on section J. Total Closing Costs (Borrower-Paid), where Lender Credits and Tolerance Cure Amount are not part of the transaction.

		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
9.1 **J. TOTAL CLOSING COSTS (Borrower-Paid)**		9.1.1 **$1000.00**				
01 9.2 Closing Costs Subtotals (D + I).		9.2.2 **$1,000.00**	9.2.3			
02 9.3 Lender Credits	9.3.1	9.3.2 **$0.00**				

Technical Requirements
The following table shows an example of how the Total Closing Costs (Borrower-Paid) section heading and lender credit data shown in the CD snippet above should be delivered in the UCD file, including providing the required zero value for Lender Credits. The data points used to provide lender credit data are unique because they are not part of the FEE structure and instead are submitted using the INTEGRATED_DISCLOSURE_SECTION_SUMMARY structure.

For this reason, Section J is the only place in the UCD file where the value for "Integrated Disclosure Section Type = "Total Closing Costs" repeats. As illustrated in the two tables below, the first instance of INTEGRATED_DISCLOSURE_SECTION_SUMMARY carries the subtotals for all fees by Paid By and Timing Type. Data points included in the Phase 3 Critical Edits are highlighted in light yellow.

J. Total Closing Costs (Borrower-Paid) and Subtotals

<INTEGRATED_DISCLOSURE_SECTION_SUMMARIES>
  <INTEGRATED_DISCLOSURE_SECTION_SUMMARY>
    <INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
      <IntegratedDisclosureSectionTotalAmount>1000.00</IntegratedDisclosureSectionTotalAmount>
      <IntegratedDisclosureSectionType>TotalClosingCosts</IntegratedDisclosureSectionType>
      <IntegratedDisclosureSubsectionType>ClosingCostsSubtotal</IntegratedDisclosureSectionType>
    </INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
    <INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>

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```
        <INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
          <IntegratedDisclosureSubsectionPaidByType>Buyer</IntegratedDisclosureSubsectionPaidByType>
          <IntegratedDisclosureSubsectionPaymentAmount>3000.00</IntegratedDisclosureSubsectionPaymentAmount>
          <IntegratedDisclosureSubsectionPaymentTimingType>BeforeClosing</IntegratedDisclosureSubsectionPaymentTimingTy
              pe>
        </INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
      </INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
    </INTEGRATED_DISCLOSURE_SECTION_SUMMARY>
```

- The second instance of INTEGRATED_DISCLOSURE_SECTION_SUMMARY provides lender credit data.

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Lender Credits
``<INTEGRATED_DISCLOSURE_SECTION_SUMMARY>
<INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
<IntegratedDisclosureSectionType>TotalClosingCosts</IntegratedDisclosureSectionType>
<IntegratedDisclosureSubsectionType>LenderCredits</IntegratedDisclosureSubsectionType>
</INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
<INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
<INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
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<IntegratedDisclosureSubsectionPaymentAmount>0.00</IntegratedDisclosureSubsectionPaymentAmount>
<IntegratedDisclosureSubsectionPaymentTimingType>AtClosing</IntegratedDisclosureSubsectionPaymentTimingType>
</INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
</INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
</INTEGRATED_DISCLOSURE_SECTION_SUMMARY>```

Lender Credits and Lender Credit Tolerance Cure Amount – Non-Zero Value

Business Requirement

This scenario focuses on section J. Total Closing Costs (Borrower-Paid) and the Lender Credits and tolerance cure data. The tolerance cure amount is provided at position 9.3.1 (below) with no identifying label.

		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
9.1	**J. TOTAL CLOSING COSTS (Borrower-Paid)**	9.1.1 **$500.00**				
01 9.2	Closing Costs Subtotals (D + I).	9.2.2 **$1,000.00**	9.2.3			
02 9.3	Lender Credits 9.3.1 **50.00**	9.3.2 **$-500.00**				

Technical Requirements

The following table shows an example of how the Lender Credits and tolerance cure data shown in the CD snippet above should be delivered in the UCD file. Data points that are included in Phase 3 critical edits are highlighted in light yellow.

J. Total Closing Costs (Borrower-Paid) and Subtotals
``<INTEGRATED_DISCLOSURE_SECTION_SUMMARIES>
<INTEGRATED_DISCLOSURE_SECTION_SUMMARY>
<INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
<IntegratedDisclosureSectionTotalAmount>1000.00</IntegratedDisclosureSectionTotalAmount>```

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```
      <IntegratedDisclosureSectionType>TotalClosingCosts</IntegratedDisclosureSectionType>
      <IntegratedDisclosureSubsectionType>ClosingCostsSubtotal</IntegratedDisclosureSectionType>
   </INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
   <INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
      <INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
      <IntegratedDisclosureSubsectionPaidByType>Buyer</IntegratedDisclosureSubsectionPaidByType>
      <IntegratedDisclosureSubsectionPaymentAmount>3000.00</IntegratedDisclosureSubsectionPaymentAmount>
      <IntegratedDisclosureSubsectionPaymentTimingType>BeforeClosing</IntegratedDisclosureSubsectionPaymentTimingTy
            pe>
      </INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
   </INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
</INTEGRATED_DISCLOSURE_SECTION_SUMMARY
```

Lender Credits
``<INTEGRATED_DISCLOSURE_SECTION_SUMMARY>
<INTEGRATED_DISCLOSURE_SECTION_SUMMARY_DETAIL>
<IntegratedDisclosureSectionType>TotalClosingCosts</IntegratedDisclosureSectionType>
<IntegratedDisclosureSubsectionType>LenderCredits</IntegratedDisclosureSubsectionType>
<LenderCreditToleranceCureAmount>50.00</LenderCreditToleranceCureAmount>
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<INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
<INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
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<IntegratedDisclosureSubsectionPaymentTimingType>AtClosing</IntegratedDisclosureSubsectionPaymentTimingType>
</INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENT>
</INTEGRATED_DISCLOSURE_SUBSECTION_PAYMENTS>
</INTEGRATED_DISCLOSURE_SECTION_SUMMARY>```

Resources

Resource	Fannie Mae Link	Freddie Mac Link
UCD Critical Edits Timeline	https://singlefamily.fanniemae.com/media/document/pdf/ucd-critical-edits-transition-timeline	https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/ucd
Critical Edits Matrix	https://singlefamily.fanniemae.com/media/document/xlsx/uniform-closing-dataset-critical-edits-matrix	https://sf.freddiemac.com/content/_assets/resources/xls/other/ucd-critical-edits-matrix.xlsx
UCD Critical Edits Implementation Guide	https://singlefamily.fanniemae.com/media/document/pdf/ucd-critical-edits-implementation-guide	https://sf.freddiemac.com/content/_assets/resources/pdf/other/ucd-critical-edits-implementation-guide_.pdf
Specification Update Impact Memo	https://singlefamily.fanniemae.com/media/document/pdf/ucd-specification-update-impact-memo	https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/specification-update-joint-impact-memo.pdf
UCD Feedback Messages	https://singlefamily.fanniemae.com/media/document/xlsx/ucd-feedback-messages	https://sf.freddiemac.com/content/_assets/resources/xls/other/lcla-feedback-msgs-3-31-2022.xlsx

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Joint GSE UCD Critical Edits Phase 3 Feedback Message Mapping	https://singlefamily.fanniemae.com/media/document/xlsx/joint-gse-ucd-critical-edits-phase-3-feedback-message-mapping	https://sf.freddiemac.com/content/_assets/resources/xls/other/joint-gse-ucd-phase-3-critical-edits-feedback-message-mapping-document.xls
UCD Phase 3 Critical Edits Job Aid: Fees	https://singlefamily.fanniemae.com/media/document/pdf/ucd-phase-3-critical-edits-job-aid-fees	https://sf.freddiemac.com/content/_assets/resources/doc/fact-sheet/ucd-joint-gse-job-aid-guide-fees.docx

Additional Information

For more information on UCD, visit the Fannie Mae UCD page or the Freddie Mac UCD page.
If you have questions or need further assistance, please contact your GSE account representative or submit your questions to our UCD mailboxes: UCD@FannieMae.com or UCD@FreddieMac.com.

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