STATE BANK

Universal Credit Application

(Consumer Real Estate)

1. Type of Application

(Check only one of the four checkboxes; and sign, if joint credit. Use another application if more than two applicants.)

☐ **Individual Credit.** If checked, this is an *Application for Individual Credit* - relying **solely** on my income and assets.

☐ **Individual Credit with Another.** If checked, this is an *Application for Individual Credit* - relying on my income and assets **and** on income and/or assets of another as a basis for loan qualification. *(Complete Applicant and Co-Applicant sections.)*

☐ **Individual Credit (Community Property State).** If checked, this is an *Application for Individual Credit* - relying on my income or assets. The income or assets of my spouse (or other person), who has community property rights pursuant to state law, will not be used as a basis for loan qualification. However, his or her liabilities must be considered because my spouse (or other person) has community property rights pursuant to applicable law, and, as Applicant, I reside in a community property state, the property that will secure the loan is located in a community property state, or I am relying on other property located in a community property state as a basis for repayment of the loan. *(Complete Applicant and Co-Applicant sections.)*

☐ **Joint Credit.** If checked, this is an *Application for Joint Credit*. By signing below, the Applicant and Co-Applicant agree that each of us intend to apply for joint credit. *(Complete Applicant and Co-Applicant sections.)*

Applicant for Joint Credit

Co-Applicant for Joint Credit

2. Type of Mortgage and Terms of Credit

Mortgage Applied For ☐ Home Purchase or Refinancing ☐ Home Equity Loan ☐ Home Equity Line of Credit ☐			**Lender's Case No.**
Amount/Credit Limit $	**Interest Rate** %	**No. of Months**	**Amortization Type** ☐ Fixed ☐ ARM ☐

3. Property Information and Purpose of Credit

Subject Property Address (street, city, state & ZIP)	No. of Units
Legal Description of Subject Property (attach description if necessary)	Year Built

Purpose of Loan
☐ Purchase ☐ Construction ☐ Other:
☐ Refinance ☐ Construction-Permanent

Property will be:
☐ Primary Residence ☐ Secondary Residence ☐ Investment

Complete this line if construction or construction-permanent loan.

Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)
	$	$	$	$	$

Complete this line if this is a refinance loan.

Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
	$	$		Cost: $

Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in: ☐ Fee Simple ☐ Leasehold (show expiration date)
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)		

4 Applicant Information

Applicant | **Co Applicant**

Applicant's Name				Co-Applicant's Name			
Social Security No.	Primary Phone ☐ Cell		Date of Birth	Social Security No.	Primary Phone ☐ Cell		Date of Birth
ID Type & No.	Issued By	Issue Date	Exp. Date	ID Type & No.	Issued By	Issue Date	Exp. Date
E-mail Address				E-mail Address			
☐ Married (as defined by state law; incl. domestic partnership, civil union) ☐ Separated ☐ Unmarried (including single, divorced, widowed)	Dependents (not listed by Co-Applicant) No. Ages			☐ Married (as defined by state law; incl. domestic partnership, civil union) ☐ Separated ☐ Unmarried (including single, divorced, widowed)	Dependents (not listed by Applicant) No. Ages		
Present Address ☐ Own ☐ Rent ☐ _____ No. Yrs. _____				Present Address ☐ Own ☐ Rent ☐ _____ No. Yrs. _____			
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address			
Former Address ☐ Own ☐ Rent ☐ _____ No. Yrs. _____				Former Address ☐ Own ☐ Rent ☐ _____ No. Yrs. _____			

5. Employment Information

Applicant		Co Applicant	
Name & Address of Employer ☐ Self Employed	Yrs. on this job	Name & Address of Employer ☐ Self Employed	Yrs. on this job
	Yrs. employed in this line of work/profession		Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone	Position/Title/Type of Business	Business Phone

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Business Phone		Business Phone
Position/Title/Type of Business	Gross Monthly Income $	Position/Title/Type of Business	Gross Monthly Income $
Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Business Phone		Business Phone
Position/Title/Type of Business	Gross Monthly Income $	Position/Title/Type of Business	Gross Monthly Income $

6. Monthly Income and Combined Housing Expense Information

Gross Monthly Income	**Applicant**	**Co-Applicant**	**Total**	**Combined Monthly Housing Expense**	**Present**	**Proposed**
Base Empl. Income*	$	$	$	Rent	$	
Overtime	$	$	$	First Mortgage (P&I)	$	$
Bonuses	$	$	$	Other Financing (P&I)	$	$
Commissions	$	$	$	Hazard Insurance	$	$
Dividends/Interest	$	$	$	Real Estate Taxes	$	$
Net Rental Income	$	$	$	Mortgage Insurance	$	$
Other (before completing, see the notice in "Describe Other Income," below)	$	$	$	Homeowner Assn. Dues	$	$
				Other	$	$
Total	$	$	$	**Total**	$	$

*** Self Employed Applicant(s) may be required to provide additional documentation such as tax returns and financial statements.**

A/C	**Describe Other Income**	**Notice: Alimony, child support, or separate maintenance income need not be revealed if the Applicant (A) or Co-Applicant (C) does not choose to have it considered for repaying this loan.**	Monthly Amount
			$
			$
			$

7. Assets and Liabilities

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the *Co-Applicant section* was completed about a non-applicant spouse or other person, this Statement and supporting schedules must also be completed about that spouse or other person.

Completed ☐ Jointly ☐ Not Jointly

Schedule of Real Estate Owned. (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale, R if rental for income or O for other)	▼	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
			$	$	$	$	$	$
			$	$	$	$	$	$
			$	$	$	$	$	$
		Totals	$	$	$	$	$	$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

7. Assets and Liabilities (Continued)

Assets Description	Cash or Market Value
Cash deposit toward purchase held by:	$

Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

List checking and savings accounts below		**Liabilities**	**Monthly Payment & Months Left to Pay**	**Unpaid Balance**
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/ Months	$
Acct. no.	$	Acct. no.	☐ Revolving	
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/ Months	$
Acct. no.	$	Acct. no.	☐ Revolving	
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/ Months	$
Acct. no.	$	Acct. no.	☐ Revolving	
Name and address of Bank, S&L, or Credit Union		Name and address of Company	$ Payment/ Months	$
Acct. no.	$	Acct. no.	☐ Revolving	
Stocks & Bonds (Company name/number & description)	$	Name and address of Company	$ Payment/ Months	$
		Acct. no.	☐ Revolving	
Life Insurance net cash value Face amount: $	$	Name and address of Company	$ Payment/ Months	$
Subtotal Liquid Assets	$			
Real estate owned (enter market value from schedule of real estate owned)	$	Acct. no.	☐ Revolving	
		Name and address of Company	$ Payment/ Months	$
Vested interest in retirement fund	$			
Net worth of business(es) owned (attach financial statement)	$	Acct. no.	☐ Revolving	
Automobiles owned (make and year)	$	Alimony/Child Support/Separate Maintenance Payments Owed to:	$	
		Job-Related Expense (child care, union dues, etc.)	$	
Other Assets (itemize)	$			
		Total Monthly Payments	$	
Other Assets (from continuation page, if any)	$	Other Liabilities (from continuation page, if any)		$
Total Assets (a)	$	**Net Worth (a - b)**	$	**Total Liabilities (b)** $

8. Declarations

	Applicant Yes	Applicant No	Co-Applicant Yes	Co-Applicant No
a. Are there any outstanding judgments against you?	☐	☐	☐	☐
b. Have you been declared bankrupt within the past 10 years?	☐	☐	☐	☐
c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
d. Are you a party to a lawsuit?	☐	☐	☐	☐
e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	☐	☐	☐	☐
f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee?	☐	☐	☐	☐

8. Declarations (Continued)

	Applicant Yes	Applicant No	Co-Applicant Yes	Co-Applicant No
g. Are you obligated to pay alimony, child support, or separate maintenance?	☐	☐	☐	☐
h. Is any part of the down payment borrowed?	☐	☐	☐	☐
i. Are you a co-maker or endorser on a note?	☐	☐	☐	☐
j. Are you a U.S. citizen?	☐	☐	☐	☐
k. Are you a permanent resident alien?	☐	☐	☐	☐
l. Do you intend to occupy the property as your primary residence?	☐	☐	☐	☐
m. Have you had an ownership interest in a property in the last three years?	☐	☐	☐	☐
(1) What type of property did you own -- principal residence (PR), second home (SH), or investment property (IP)?	________		________	
(2) How did you hold title to the home -- solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	________		________	
n. Are there any other equity loans on the property?	☐	☐	☐	☐

9. Continuation and Additional Information

Instructions. Use this section if you need more space to complete the Universal Credit Application. Mark **"A"** for Applicant and **"C"** for Co-Applicant. Use this space if you answered "Yes" to any of the questions in Section 8.

10. Federal Notices

Important Information to Applicant(s). To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who applies for a loan or opens an account.

What this means for you. When you apply for a loan or open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license and/or other identifying documents. In some instances, we may use outside sources to confirm the information. The information you provide is protected by our privacy policy and federal law.

False Statements. By signing below, I/we fully understand that it is a federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, *et seq*.

11. State Notices

California Residents. Each applicant, if married, may apply for a separate account.

Massachusetts Residents. Under Massachusetts statute, Mass. Gen. L. ch. 184, Section 17B, you, the Applicant (and Co-Applicant) are entitled to know the following:
1. The responsibility of the attorney for the Mortgagee is to protect the interest of the Mortgagee.
2. Mortgagors may, at their own expense, engage an attorney of their own selection to represent their interests in the transaction.

For Home Equity Line of Credit. The current annual percentage rate for finance charges and, if the rate may vary, a statement to that effect and of the circumstances under which the rate may increase and whether there are any limitations on any such increase, as well as the effects of any such increase; the conditions under which a finance charge may be imposed, including the time period within which any credit extended may be repaid without incurring a finance charge; whether any annual fee is charged and the amount of any such fee; and whether any other charges or fees may be assessed, the purposes for which they are assessed, and the amounts of any such charges or fees.

New York Residents. A consumer report may be ordered in connection with your application. Upon your request, we will inform you whether or not a report was ordered. If a report was ordered, we will tell you the name and address of the consumer reporting agency that provided the report. Subsequent reports may be ordered or utilized in connection with an update, renewal or extension of credit for which you have applied.

Ohio Residents. The Ohio laws against discrimination require all creditors make credit equally available to all creditworthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.

Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

Texas Residents. The owner of the homestead is not required to apply the proceeds of the extension of credit to repay another debt except debt secured by the homestead or debt to another lender.

Wisconsin Residents. Notice to Married Applicants. No provision of any marital property agreement, unilateral statement under Wisc. Statutes §766.59 or a court decree under Wisc. Statutes §766.70 adversely affects the interest of the lender unless the lender, prior to the time the credit is granted, is furnished a copy of the agreement, statement or decree or has actual knowledge of the adverse provision when the obligation to the lender is incurred.

For married Wisconsin Residents. The credit being applied for, if granted, will be incurred in the interest of my marriage or family. I understand the creditor may be required by law to give notice of this transaction to my spouse.

12. Acknowledgment and Agreement

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, *et seq.*; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors and assigns may continuously rely on the information contained in the application, and I am obligated to

12. Acknowledgment and Agreement (Continued)

amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an *"electronic record"* containing my *"electronic signature,"* as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Consent. You authorize us to contact you using any of the telephone numbers listed on this Credit Application or that you subsequently provide us in connection with your credit account - regardless whether the number we use is assigned to a paging service, cellular telephone service, specialized mobile radio service or other radio common carrier service or any other service for which you may be charged for the call. You further authorize us to contact you through the use of voice, text and email and through the use of pre-recorded/artificial voice messages or an automated dialing device.

Acknowledgment. Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

X ______________________________
Applicant's Signature Date

X ______________________________
Co-Applicant's Signature Date

For Mortgage Loan Originator

This information was provided: ☐ In a face-to-face interview ☐ In a telephone interview ☐ By the applicant and submitted by fax or mail ☐ By the applicant and submitted via e-mail or the Internet

Loan Originator's Signature X	**Date**	**Loan Originator's Phone Number**
Loan Originator's Name	**Loan Originator Identifier**	**Loan Origination Company's Address**
Loan Origination Company's Name	**Loan Origination Company Identifier**	

Transaction Worksheet - Optional

a. Purchase price	$	k. Applicant's closing costs paid by Seller	$
b. Alterations, improvements, repairs	$	l. Other Credits (explain)	$
c. Land (if acquired separately)	$		
d. Refinance (include debts to be paid off)	$		
e. Estimated prepaid items	$	m. Loan amount (exclude PMI, MIP, Funding Fee financed)	$
f. Estimated closing costs	$		
g. PMI, MIP, Funding Fee	$	n. PMI, MIP, Funding Fee financed	$
h. Discount (if Applicant will pay)	$	o. Loan amount (add m & n)	$
i. Total costs (add items a through h)	$	p. Cash from/to Applicant (subtract j, k, l & o from i)	$
j. Subordinate financing	$		

For Lender's Use

Lender's Initial Lien Position ☐ First Lien ☐ Second Lien ☐ Subordinate Lien	**First Lien Holder's Name & Address (if any)** **Loan No.**		**Second Lien Holder's Name & Address (if any)** **Loan No.**
Date Application Received	**Received By**		**Amount Requested** $
Decision ☐ Approved ☐ Denied	**Decision Date**		**Decision By**
HMDA Reportable ☐ Yes	**Amount Approved** $	**Initial Advance (if applicable)**	**Funding Date**
Refinancing ☐ Yes ☐ Cash Out	**Rescindable** ☐ Yes	**Early Disclosures Given** ☐ Yes, on	**High Cost Mortgage** ☐ Yes **High Priced Mortgage** ☐ Yes

STATE BANK OF MISSOURI
101 NW 2ND ST.   PO BOX 819
CONCORDIA, MO 64020
Telephone: 1-660-463-2194
Fax Number: 1-660-463-2196
Web Address: www.gostatebank.com
Email Address: www.sbminfo@gostatebank.com
Lender

2014 5YR ARM DISCLOSURE 2 & 6 CAPS, 1 YR TREASURY INDEX, FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change annually.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) in any one year period.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can change every 12 payment(s) based on changes in the interest rate.
* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
* You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 5-year loan with an initial interest rate of 3.500 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 6.000 percentage point(s), to 9.500 percent, and the monthly payment can rise from an initial payment of $181.92 to a maximum of $198.92 in the 37th month (3 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $181.92 = $1,091.52 per month).

This is not a commitment to make a loan.

STATE BANK OF MISSOURI
101 NW 2ND ST. PO BOX 819
CONCORDIA, MO 64020
Telephone: 1-660-463-2194
Fax Number: 1-660-463-2196
Web Address: www.gostatebank.com
Email Address: www.sbminfo@gostatebank.com
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2014 15YR ARM DISCLOSURE 2 & 6 CAPS, 1 YR TREASURY INDEX, FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change annually.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) in any one year period.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

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* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
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* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 15-year loan with an initial interest rate of 3.500 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 6.000 percentage point(s), to 9.500 percent, and the monthly payment can rise from an initial payment of $71.49 to a maximum of $100.25 in the 37th month (3 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $71.49 = $428.94 per month).

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Telephone: 1-660-463-2194
Fax Number: 1-660-463-2196
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2014 30YR ARM DISCLOSURE 2 & 6 CAPS, 1 YR TREASURY INDEX, FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change annually.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) in any one year period.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can change every 12 payment(s) based on changes in the interest rate.
* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
* You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 30-year loan with an initial interest rate of 3.500 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 6.000 percentage point(s), to 9.500 percent, and the monthly payment can rise from an initial payment of $44.90 to a maximum of $82.07 in the 37th month (3 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $44.90 = $269.40 per month).

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Lender

2014 3 YR (5) ARM DISCLOSURE 2 & 6 CAPS, 1 YR TREASUREY INDEX, FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change every 3 years.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at each adjustment.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can change every 36 payment(s) based on changes in the interest rate.
* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
* You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 5-year loan with an initial interest rate of 3.950 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 2.000 percentage point(s), to 5.950 percent, and the monthly payment can rise from an initial payment of $183.94 to a maximum of $187.73 in the 37th month (3 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $183.94 = $1,103.64 per month).

This is not a commitment to make a loan.

STATE BANK OF MISSOURI
101 NW 2ND ST. PO BOX 819
CONCORDIA, MO 64020
Telephone: 1-660-463-2194
Fax Number: 1-660-463-2196
Web Address: www.gostatebank.com
Email Address: www.sbminfo@gostatebank.com
Lender

2014 3-YR ARM (15) DISCLOSURE 2 & 6 CAPS, 1 YR TREASURY INDEX, FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change every 3 years.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at each adjustment.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can change every 36 payment(s) based on changes in the interest rate.
* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
* You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 15-year loan with an initial interest rate of 3.950 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 6.000 percentage point(s), to 9.950 percent, and the monthly payment can rise from an initial payment of $73.72 to a maximum of $94.16 in the 109th month (9 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $73.72 = $442.32 per month).

This is not a commitment to make a loan.

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CONCORDIA, MO 64020
Telephone: 1-660-463-2194
Fax Number: 1-660-463-2196
Web Address: www.gostatebank.com
Email Address: www.sbminfo@gostatebank.com
Lender

2014 3 YR (30) ARM DISCLOSURE 2 & 6 CAPS, 1 YR TREASURY INDEX,FLOOR AT INITIAL RATE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

* This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index plus a margin, rounded up to the nearest .001 percent.
* Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
* Your payment will be rounded to the nearest $0.01.
* The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index 1) plus our margin, rounded up to the nearest .001 percent. Ask us for our current interest rate and margin.
* Information about the index is published weekly in The Wall Street Journal.
* Your interest rate will equal the index rate plus margin, rounded up to the nearest .001 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate can change every 3 years.
* Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at each adjustment.
* Your interest rate cannot increase more than 6.000 percentage point(s) above the initial interest rate over the term of the loan.
* Your interest rate will never be less than the initial rate.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can change every 36 payment(s) based on changes in the interest rate.
* Your monthly payment may increase or decrease substantially based on changes in the interest rate.
* You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* You will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
* For example, on a $10,000 30-year loan with an initial interest rate of 3.950 in effect in January 2014, the maximum amount that the interest rate can rise under this program is 6.000 percentage point(s), to 9.950 percent, and the monthly payment can rise from an initial payment of $47.45 to a maximum of $81.08 in the 109th month (9 years, 1 month). To see what your payments would be, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $47.45 = $284.70 per month).

This is not a commitment to make a loan.

TYPE OF CREDIT REQUESTED
(applies to business and consumer credit)

Please check to indicate the type of credit you are requesting.

______Secured ______Unsecured

______Individual Credit – relying solely on my income and assets.

______Individual Credit – relying on my income and asset as well as Income or assets of another.

______Joint Credit - we intend to apply for joint credit.

_______ ____

Date Signature

_______ ____

Date Signature

☐ Application taken by phone

_______ ______________________________

Date Officer Signature

FEDERAL CREDIT APPLICATION INSURANCE DISCLOSURE
(applies to Consumer credit only)

I have applied for an extension of credit with you. You are soliciting, offering, or selling me an insurance product or annuity in connection with this extension of credit. FEDERAL LAW PROHIBITS YOU FROM CONDITIONING THE EXTENSION OF CREDIT ON EITHER:

1. My purchase of an insurance product or annuity from you or from any of your affiliates; or
2. My agreement not to obtain, or a prohibition on me from obtaining, an insurance product or annuity from an unaffiliated entity.

By signing, I acknowledge that I have received a copy of this form on today's date. Unless this disclosure is provided electronically or I have applied for credit by mail, I also acknowledge that you have provided this disclosure to me orally.

______________________________ ______________________________

Consumer Date Consumer Date

SERVICING DISCLOSURE STATEMENT

Lender	Borrower	Date
STATE BANK OF MISSOURI 101 NW 2ND ST. PO BOX 819 CONCORDIA, MO 64020		Loan Number

Property Address

NOTICE TO FIRST LIEN MORTGAGE LOAN APPLICANTS: THE RIGHT TO COLLECT YOUR MORTGAGE LOAN PAYMENTS MAY BE TRANSFERRED.

You are applying for a mortgage loan covered by the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. 2601 et seq.). RESPA gives you certain rights under Federal law. This statement describes whether the servicing for this loan may be transferred to a different loan servicer. "Servicing" refers to collecting your principal, interest, and escrow payments, if any, as well as sending any monthly or annual statements, tracking account balances, and handling other aspects of your loan. You will be given advance notice before a transfer occurs.

Servicing Transfer Information

☐ We may assign, sell, or transfer the servicing of your loan while the loan is outstanding.

☐ We do not service mortgage loans of the type for which you applied. We intend to assign, sell, or transfer the servicing of your mortgage loan before the first payment is due.

☒ The loan for which you have applied will be serviced at this financial institution and we do not intend to sell, transfer, or assign the servicing of the loan.

By signing below, I/we acknowledge receiving a copy of this disclosure.

Applicant	Date	Applicant	Date
Applicant	Date	Applicant	Date

NOTICE TO APPLICANT

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

FACTS — WHAT DOES STATE BANK OF MISSOURI DO WITH YOUR PERSONAL INFORMATION?

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: ▸ Social Security number and account balances ▸ Account transactions and transaction history ▸ Credit history and payment history When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons State Bank of Missouri chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does State Bank of Missouri share?	Can you limit this sharing?
For our everyday business purposes— such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes— to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We Don't Share
For our affiliates' everyday business purposes— information about your transactions and experiences	No	We Don't Share
For our affiliates' everyday business purposes— information about your creditworthiness	No	We Don't Share
For nonaffiliates to market to you	No	We Don't Share

Questions?	Call 660-463-2194

Who we are

Who is providing this notice?	**State Bank of Missouri**

What we do

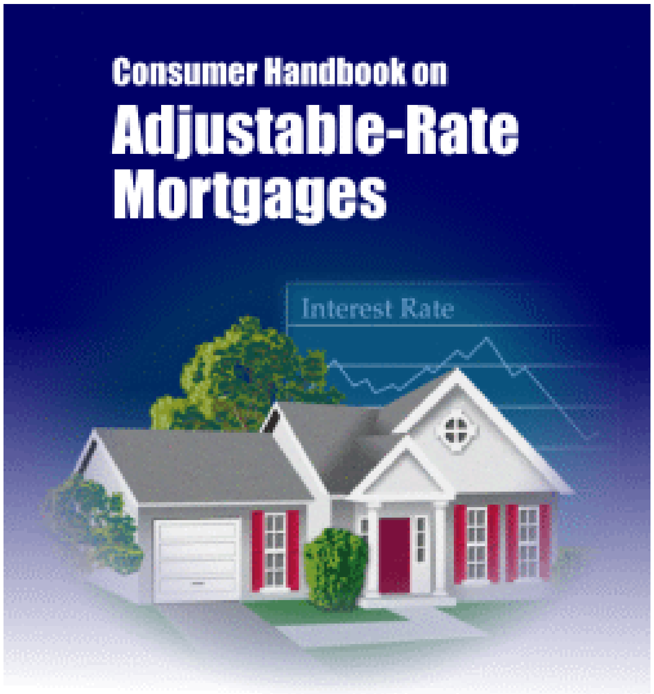
How does State Bank of Missouri protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does State Bank of Missouri collect my personal information?	We collect your personal information, for example, when you ▸ Open an account or deposit money ▸ Pay your bills or use your debit card ▸ Apply for a loan We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only ▸ sharing for affiliates' everyday business purposes—information about your creditworthiness ▸ affiliates from using your information to market to you ▸ sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. ▸ *State Bank of Missouri does not share with our affiliates.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. ▸ *State Bank of Missouri does not share with nonaffiliates so they can market to you.*
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. ▸ *State Bank of Missouri does not jointly market.*

Other important information

The Federal Reserve Board



Printable version (5 MB PDF) ESPAÑOL

Adjustable-rate mortgages (ARMs) are loans with interest rates that change. ARMs may start with lower monthly payments than fixed-rate mortgages, but keep the following in mind:

- Your monthly payments could change. They could go up--sometimes by a lot--even if interest rates don't go up.
- Your payments may not go down much, or at all--even if interest rates go down.
- You could end up owing more money than you borrowed--even if you make all your payments on time.
- If you want to pay off your ARM early to avoid higher payments, you might have to pay a penalty.

You need to compare features of ARMs to find the one that best fits your needs. See the Mortgage Shopping Worksheet.

This handbook explains how ARMs work and discusses some of the issues that borrowers may face. It includes ways to reduce the risks and gives some pointers about advertising and other ways you can get information from lenders and other trusted advisers. Important ARM terms are defined in a glossary. And the Mortgage Shopping Worksheet can help you ask the right questions and figure out whether an ARM is right for you. Ask lenders to help you fill out the worksheet so you can get the information you need to compare mortgages.

What Is an ARM?

An adjustable-rate mortgage differs from a fixed-rate mortgage in many ways. With a fixed-rate mortgage, the interest rate stays the same during the life of the loan. With an ARM, the interest rate changes periodically, usually in relation to an index, and payments may go up or down accordingly.

Shopping for a mortgage is not as simple as it used to be. To compare two ARMs with each other or to compare an ARM with a fixed-rate mortgage, you need to know about indexes, margins, discounts, caps on rates and payments, negative amortization, payment options, and recasting (recalculating) your loan. You need to consider the maximum amount your monthly payment could increase. Most important, you need to know what might happen to your monthly mortgage payment in relation to your future ability to afford higher payments.

Lenders generally charge lower initial interest rates for ARMs than for fixed-rate mortgages. At first, this makes the ARM easier on your pocketbook than a fixed-rate mortgage for the same loan amount. Moreover, your ARM could be less expensive over a long period than a fixed-rate mortgage--for example, if interest rates remain steady or move lower.

Against these advantages, you have to weigh the risk that an increase in interest rates would lead to higher monthly payments in the future. It's a trade-off--you get a lower initial rate with an ARM in exchange for assuming more risk over the long run.

Here are some questions you need to consider:

- Is my income enough--or likely to rise enough--to cover higher mortgage payments if interest rates go up?
- Will I be taking on other sizable debts, such as a loan for a car or school tuition, in the near future?
- How long do I plan to own this home? (If you plan to sell soon, rising interest rates may not pose the problem they do if you plan to own the house for a long time.)
- Do I plan to make any additional payments or pay the loan off early?

Lenders and Brokers

Mortgage loans are offered by many kinds of lenders--such as banks, mortgage companies, and credit unions. You can also get a loan through a mortgage broker. Brokers "arrange" loans; in other words, they find a lender for you. Brokers generally take your application and contact several lenders, but keep in mind that brokers are not required to find the best deal for you unless they have contracted with you to act as your agent.

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How ARMs Work: The Basic Features

Initial rate and payment

The initial rate and payment amount on an ARM will remain in effect for a limited period of time--ranging from just 1 month to 5 years or more. For some ARMs, the initial rate and payment can vary greatly from the rates and payments later in the loan term. Even if interest rates are stable, your rates and payments could change a lot. If lenders or brokers quote the initial rate and payment on a loan, ask them for the annual percentage rate (APR). If the APR is significantly higher than the initial rate, then it is likely that your rate and payments will be a lot higher when the loan adjusts, even if general interest rates remain the same.

The adjustment period

With most ARMs, the interest rate and monthly payment change every month, quarter, year, 3 years, or 5 years. The period between rate changes is called the *adjustment period*. For example, a loan with an adjustment period of 1 year is called a 1-year ARM, and the interest rate and payment can change once every year; a loan with a 3-year adjustment period is called a 3-year ARM.

Loan Descriptions

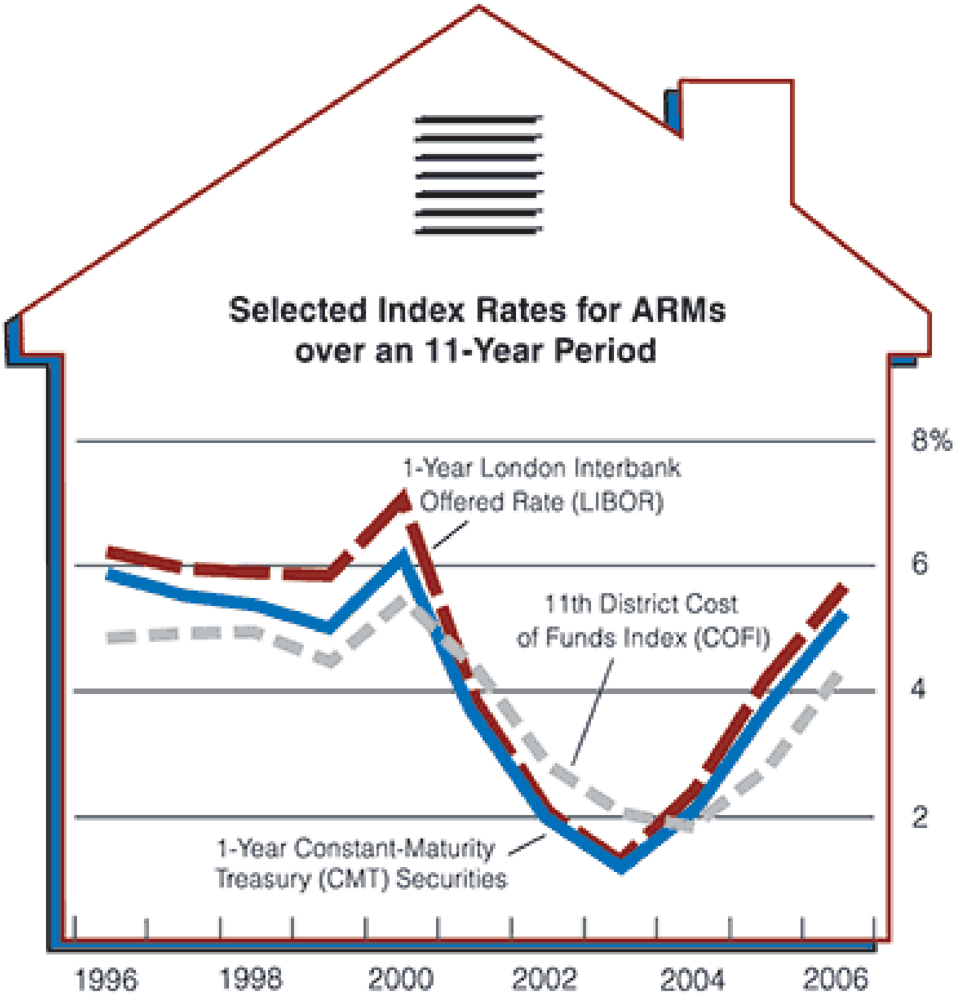
Lenders must give you written information on each type of ARM loan you are interested in. The information must include the terms and conditions for each loan, including information about the index and margin, how your rate will be calculated, how often your rate can change, limits on changes (or *caps*), an example of how high your monthly payment might go, and other ARM features such as negative amortization.

The index

The interest rate on an ARM is made up of two parts: the index and the margin. The index is a measure of interest rates generally, and the margin is an extra amount that the lender adds. Your payments will be affected by any caps, or limits, on how high or low your rate can go. If the index rate moves up, so does your interest rate in most circumstances, and you will probably have to make higher monthly payments. On the other hand, if the index rate goes down, your monthly payment could go down. Not all ARMs adjust downward, however--be sure to read the information for the loan you are considering.

Lenders base ARM rates on a variety of indexes. Among the most common indexes are the rates on 1-year constant-maturity Treasury (CMT) securities, the Cost of Funds Index (COFI), and the London Interbank Offered Rate (LIBOR). A few lenders use their own cost of funds as an index, rather than using other indexes. You should ask what index will be used, how it has fluctuated in the past, and where it is published--you can find a lot of this information in major newspapers and on the Internet.

To help you get an idea of how to compare different indexes, the following chart shows a few common indexes over an 11-year period (1996-2006). As you can see, some index rates tend to be higher than others, and some change more often. But if a lender bases interest-rate adjustments on the average value of an index over time, your interest rate would not change as dramatically.



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The margin

To determine the interest rate on an ARM, lenders add a few percentage points to the index rate, called the *margin*. The amount of the margin may differ from one lender to another, but it is usually constant over the life of the loan. The *fully indexed rate* is equal to the margin plus the index. If the initial rate on the loan is less than the fully indexed rate, it is called a *discounted index rate*. For example, if the lender uses an index that currently is 4% and adds a 3% margin, the fully indexed rate would be

Index	**4%**
+Margin	**3%**
Fully indexed rate	**7%**

If the index on this loan rose to 5%, the fully indexed rate would be 8% (5% + 3%). If the index fell to 2%, the fully indexed rate would be 5% (2% + 3%).

Some lenders base the amount of the margin on your credit record--the better your credit, the lower the margin they add--and the lower the interest you will have to pay on your mortgage. In comparing ARMs, look at both the index and margin for each program.

No-Doc/Low-Doc Loans

When you apply for a loan, lenders usually require documents to prove that your income is high enough to repay the loan. For example, a lender might ask to see copies of your most recent pay stubs, income tax filings, and bank account statements. In a no-doc or low-doc loan, the lender doesn't require you to bring proof of your income, but you will usually have to pay a higher interest rate or extra fees to get the loan. Lenders generally charge more for no-doc/low-doc loans.

Interest-rate caps

An interest-rate cap places a limit on the amount your interest rate can increase. Interest caps come in two versions:

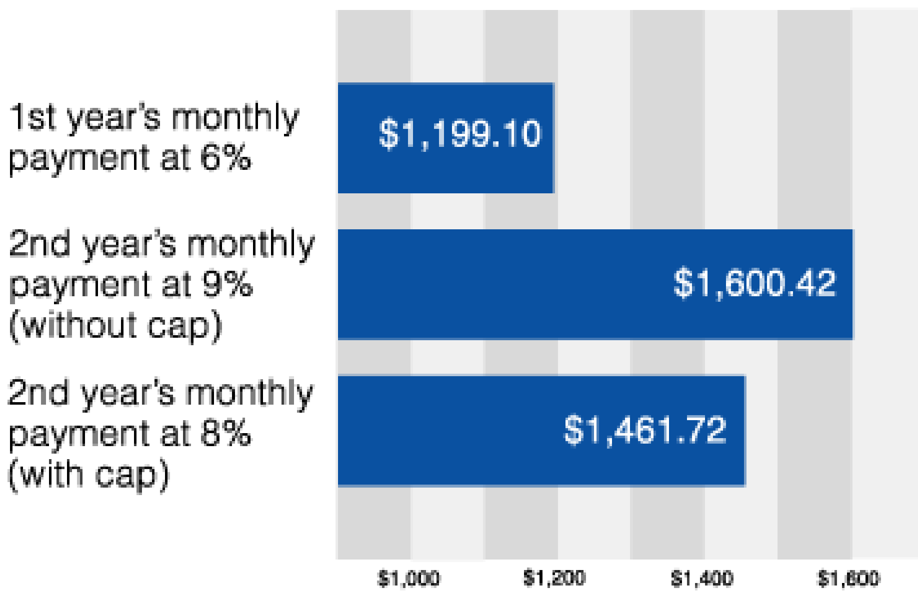
- *periodic adjustment caps*, which limit the amount the interest rate can adjust up or down from one adjustment period to the next after the first adjustment, and
- *lifetime caps*, which limit the interest-rate increase over the life of the loan. By law, virtually all ARMs must have a lifetime cap.

Periodic adjustment caps

Let's suppose you have an ARM with a periodic adjustment interest-rate cap of 2%. However, at the first adjustment, the index rate has risen 3%. The following example shows what happens.

Examples in This Handbook

All examples in this handbook are based on a $200,000 loan amount and a 30-year term. Payment amounts in the examples do not include taxes, insurance, condominium or home-owner association fees, or similar items. These amounts can be a significant part of your monthly payment.



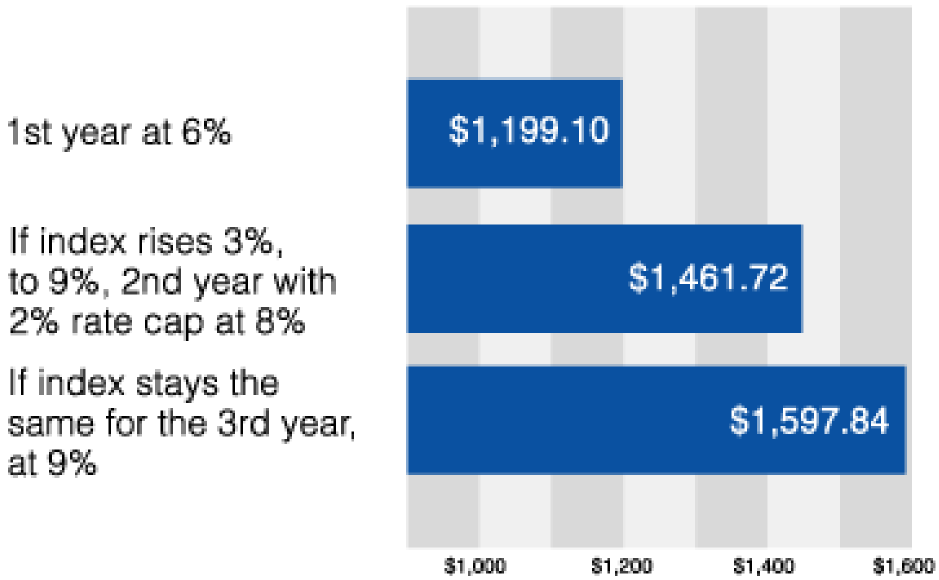
Difference in 2nd year between payment with cap and payment without = $138.70 per month

In this example, because of the cap on your loan, your monthly payment in year 2 is $138.70 per month lower than it would be without the cap, saving you $1,664.40 over the year.

Some ARMs allow a larger rate change at the first adjustment and then apply a periodic adjustment cap to all future adjustments.

A drop in interest rates does not always lead to a drop in your monthly payments. With some ARMs that have interest-rate caps, the cap may hold your rate and payment below what it would have been if the change in the index rate had been fully applied. The increase in the interest that was not imposed because of the rate cap might carry over to future rate adjustments. This is called *carryover*. So at the next adjustment date, your payment might increase even though the index rate has stayed the same or declined.

The following example shows how carryovers work. Suppose the index on your ARM increased 3% during the first year. Because this ARM limits rate increases to 2% at any one time, the rate is adjusted by only 2%, to 8% for the second year. However, the remaining 1% increase in the index carries over to the next time the lender can adjust rates. So when the lender adjusts the interest rate for the third year, the rate increases by 1%, to 9%, even if there is no change in the index during the second year.



In general, the rate on your loan can go up at any scheduled adjustment date when the lender's standard ARM rate (the index plus the margin) is higher than the rate you are paying before that adjustment.

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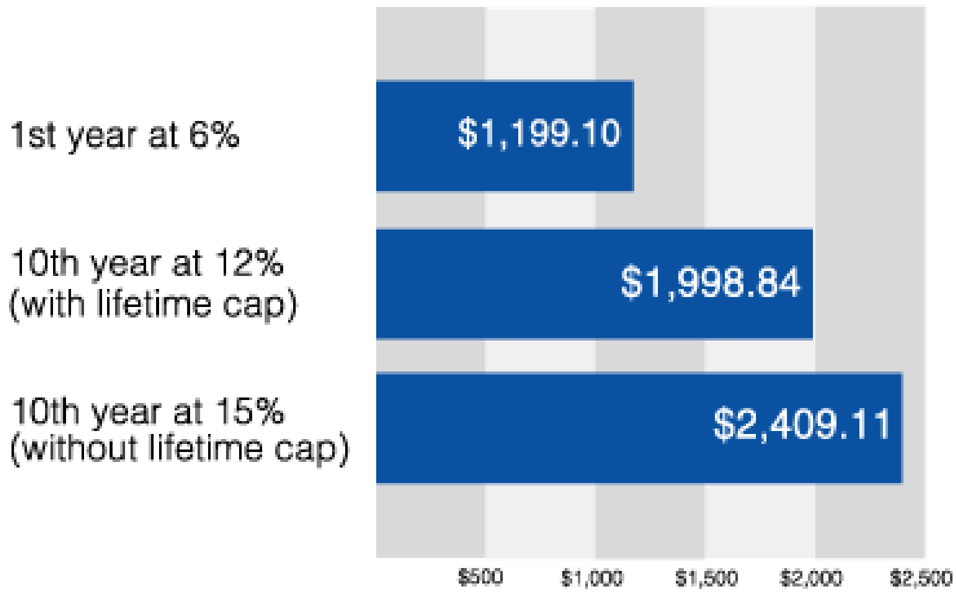
Lifetime caps

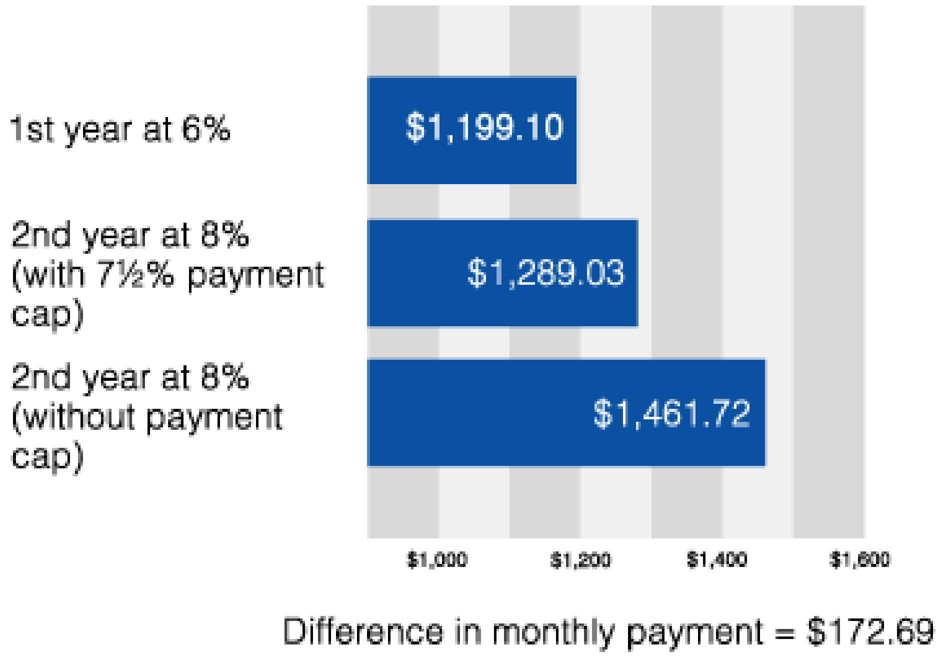
The next example shows how a lifetime rate cap would affect your loan. Let's say that your ARM starts out with a 6% rate and the loan has a 6% lifetime cap--that is, the rate can never exceed 12%. Suppose the index rate increases 1% in each of the next 9 years. With a 6% overall cap, your payment would never exceed $1,998.84--compared with the $2,409.11 that it would have reached in the tenth year without a cap.



Payment caps

In addition to interest-rate caps, many ARMs--including payment-option ARMs--limit, or cap, the amount your monthly payment may increase at the time of each adjustment. For example, if your loan has a payment cap of 7½%, your monthly payment won't increase more than 7½% over your previous payment, even if interest rates rise more. For example, if your monthly payment in year 1 of your mortgage was $1,000, it could only go up to $1,075 in year 2 (7½% of $1,000 is an additional $75). Any interest you don't pay because of the payment cap will be added to the balance of your loan. A payment cap can limit the increase to your monthly payments but also can add to the amount you owe on the loan. (This is called *negative amortization*.)

Let's assume that your rate changes in the first year by 2 percentage points but your payments can increase no more than 7½% in any one year. The following graph shows what your monthly payments would look like.



While your monthly payment will be only $1,289.03 for the second year, the difference of $172.69 each month will be added to the balance of your loan and will lead to negative amortization.

Some ARMs with payment caps do not have periodic interest-rate caps. In addition, as explained below, most payment-option ARMs have a built-in recalculation period, usually every 5 years. At that point, your payment will be recalculated (lenders use the term *recast*) based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year 5, your payment will be recalculated for the remaining 25 years. The payment cap does not apply to this adjustment. If your loan balance has increased, or if interest rates have risen faster than your payments, your payments could go up a lot.

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Types of ARMs

Hybrid ARMs

Hybrid ARMs often are advertised as 3/1 or 5/1 ARMs--you might also see ads for 7/1 or 10/1 ARMs. These loans are a mix--or a hybrid--of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first few years of these loans--for example, for 5 years in a 5/1 ARM. After that, the rate may adjust annually (the 1 in the 5/1 example), until the loan is paid off. In the case of 3/1 or 5/1 ARMs

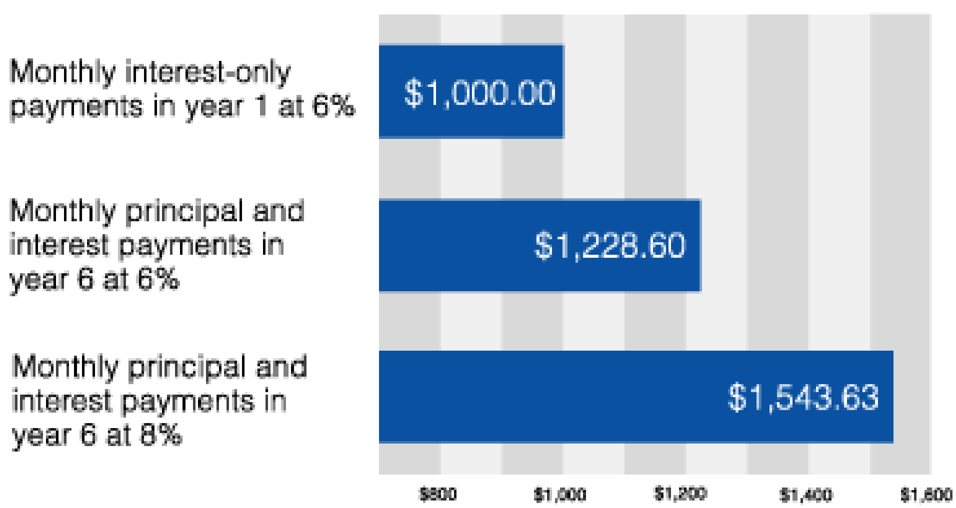
- the first number tells you how long the fixed interest-rate period will be and
- the second number tells you how often the rate will adjust after the initial period.

You may also see ads for 2/28 or 3/27 ARMs--the first number tells you how long the fixed interest-rate period will be, and the second number tells you the number of years the rates on the loan will be adjustable. Some 2/28 and 3/27 mortgages adjust every 6 months, not annually.

Interest-only ARMs

An interest-only (I-O) ARM payment plan allows you to pay only the interest for a specified number of years, typically between 3 and 10 years. This allows you to have smaller monthly payments for a period of time. After that, your monthly payment will increase--even if interest rates stay the same--because you must start paying back the principal as well as the interest each month. For some I-O loans, the interest rate adjusts during the I-O period as well.

For example, if you take out a 30-year mortgage loan with a 5-year I-O payment period, you can pay only interest for 5 years and then you must pay both the principal and interest over the next 25 years. Because you begin to pay back the principal, your payments increase after year 5, even if the rate stays the same. Keep in mind that the longer the I-O period, the higher your monthly payments will be after the I-O period ends.



Payment-option ARMs

A payment-option ARM is an adjustable-rate mortgage that allows you to choose among several payment options each month. The options typically include the following:

- *a traditional payment of principal and interest*, which reduces the amount you owe on your mortgage. These payments are based on a set loan term, such as a 15-, 30-, or 40-year payment schedule.
- *an interest-only payment*, which pays the interest but does not reduce the amount you owe on your mortgage as you make your payments.
- *a minimum (or limited) payment* that may be less than the amount of interest due that month and may not reduce the amount you owe on your mortgage. If you choose this option, the amount of any interest you do not pay will be added to the principal of the loan, **increasing the amount you owe and your future monthly payments**, and increasing the amount of interest you will pay over the life of the loan. In addition, if you pay only the minimum payment in the last few years of the loan, you may owe a larger payment at the end of the loan term, called a *balloon payment*.

The interest rate on a payment-option ARM is typically very low for the first few months (for example, 2% for the first 1 to 3 months). After that, the interest rate usually rises to a rate closer to that of other mortgage loans. Your payments during the first year are based on the initial low rate, meaning that if you only make the minimum payment each month, it will not reduce the amount you owe and it may not cover the interest due. The unpaid interest is added to the amount you owe on the mortgage, and your loan balance increases. This is called *negative amortization*. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Also, as interest rates go up, your payments are likely to go up.

Payment-option ARMs have a built-in recalculation period, usually every 5 years. At this point, your payment will be recalculated (lenders use the term *recast*) based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year 5, your payment will be recalculated for the remaining 25 years. If your loan balance has increased because you have made only minimum payments, or if interest rates have risen faster than your payments, your payments will increase each time your loan is recast. At each recast, your new minimum payment will be a fully amortizing payment and any payment cap will not apply. This means that your monthly payment can increase a lot at each recast.

Lenders may recalculate your loan payments before the recast period if the amount of principal you owe grows beyond a set limit, say 110% or 125% of your original mortgage amount. For example, suppose you made only minimum payments on your $200,000 mortgage and had any unpaid interest added to your balance. If the balance grew to $250,000 (125% of $200,000), your lender would recalculate your payments so that you would pay off the loan over the remaining term. It is likely that your payments would go up substantially.

More information on interest-only and payment-option ARMs is available in the Federal Reserve Board's brochure titled *Interest-Only Mortgage Payments and Payment-Option ARMs--Are They for You?*

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Consumer Cautions

Discounted interest rates

Many lenders offer more than one type of ARM. Some lenders offer an ARM with an initial rate that is lower than their fully indexed ARM rate (that is, lower than the sum of the index plus the margin). Such rates--called discounted rates, start rates, or teaser rates--are often combined with large initial loan fees, sometimes called *points*, and with higher rates after the initial discounted rate expires.

Your lender or broker may offer you a choice of loans that may include "discount points" or a "discount fee." You may choose to pay these points or fees in return for a lower interest rate. But keep in mind that the lower interest rate may only last until the first adjustment.

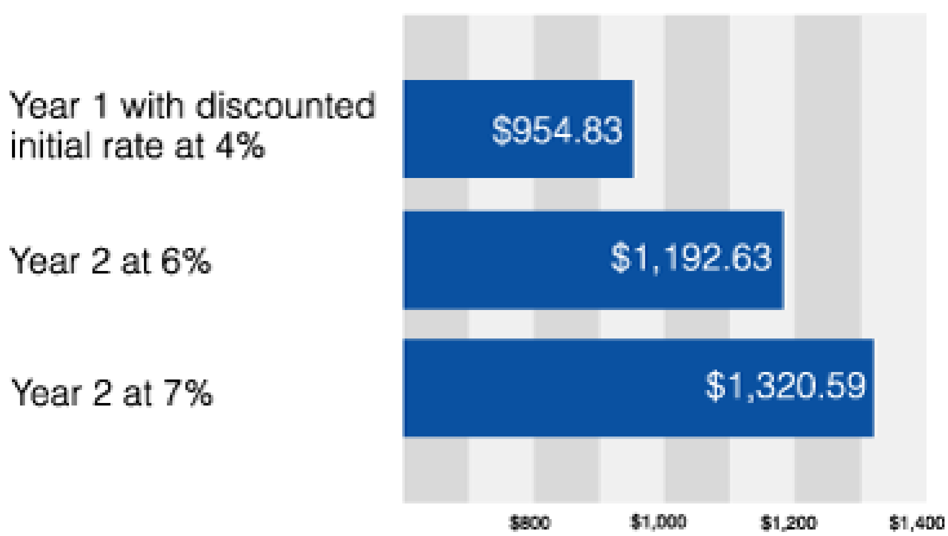
If a lender offers you a loan with a discount rate, don't assume that means that the loan is a good one for you. You should carefully consider whether you will be able to afford higher payments in later years when the discount expires and the rate is adjusted.

Here is an example of how a discounted initial rate might work. Let's assume that the lender's fully indexed one-year ARM rate (index rate plus margin) is currently 6%; the monthly payment for the first year would be $1,199.10. But your lender is offering an ARM with a discounted initial rate of 4% for the first year. With the 4% rate, your first-year's monthly payment would be $954.83.

With a discounted ARM, your initial payment will probably remain at $954.83 for only a limited time--and any savings during the discount period may be offset by higher payments over the remaining life of the mortgage. If you are considering a discount ARM, be sure to compare future payments with those for a fully indexed ARM. In fact, if you buy a home or refinance using a deeply discounted initial rate, you run the risk of payment shock, negative amortization, or prepayment penalties or conversion fees.

Payment shock

Payment shock may occur if your mortgage payment rises sharply at a rate adjustment. Let's see what would happen in the second year if the rate on your discounted 4% ARM were to rise to the 6% fully indexed rate.



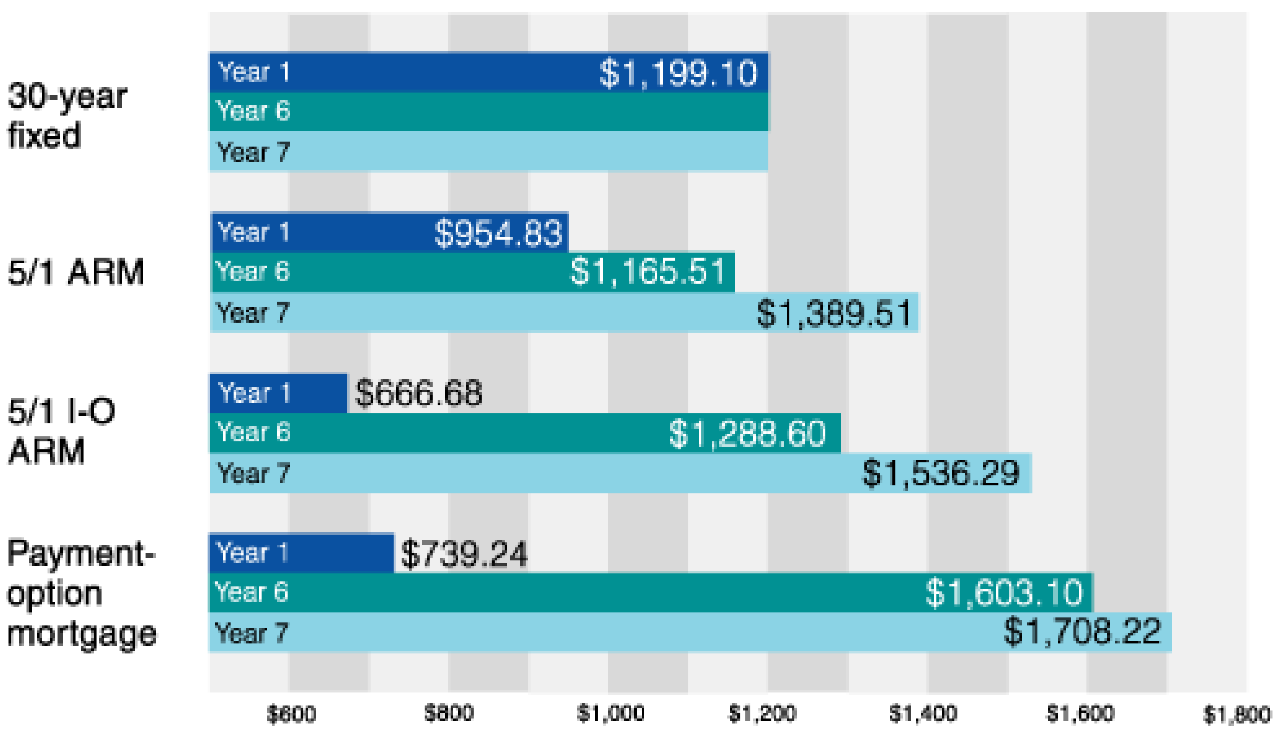
As the example shows, even if the index rate were to stay the same, your monthly payment would go up from $954.83 to $1,192.63 in the second year.

Suppose that the index rate increases 1% in one year and the ARM rate rises to 7%. Your payment in the second year would be $1,320.59.

That's an increase of $365.76 in your monthly payment. You can see what might happen if you choose an ARM because of a low initial rate without considering whether you will be able to afford future payments.

If you have an interest-only ARM, payment shock can also occur when the interest-only period ends. Or, if you have a payment-option ARM, payment shock can happen when the loan is recast.

The following example compares several different loans over the first 7 years of their terms; the payments shown are for years 1, 6, and 7 of the mortgage, assuming you make interest-only payments or minimum payments. The main point is that, depending on the terms and conditions of your mortgage and changes in interest rates, ARM payments can change quite a bit over the life of the loan--so while you could save money in the first few years of an ARM, you could also face much higher payments in the future.



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Negative amortization--When you owe more money than you borrowed

Negative amortization means that the amount you owe increases even when you make all your required payments on time. It occurs whenever your monthly mortgage payments are not large enough to pay all of the interest due on your mortgage--the unpaid interest is added to the principal on your mortgage, and you will owe more than you originally borrowed. This can happen because you are making only minimum payments on a payment-option mortgage or because your loan has a payment cap.

For example, suppose you have a $200,000, 30-year payment-option ARM with a 2% rate for the first 3 months and a 6% rate for the remaining 9 months of the year. Your minimum payment for the year is $739.24, as shown in the graph above. However, once the 6% rate is applied to your loan balance, you are no longer covering the interest costs. If you continue to make minimum payments on this loan, your loan balance at the end of the first year of your mortgage would be $201,118--or $1,118 more than you originally borrowed.

Because payment caps limit only the amount of payment increases, and not interest-rate increases, payments sometimes do not cover all the interest due on your loan. This means that the unpaid interest is automatically added to your debt, and interest may be charged on that amount. You might owe the lender more later in the loan term than you did at the beginning.

A payment cap limits the increase in your monthly payment by deferring some of the interest. Eventually, you would have to repay the higher remaining loan balance at the interest rate then in effect. When this happens, there may be a substantial increase in your monthly payment.

Some mortgages include a cap on negative amortization. The cap typically limits the total amount you can owe to 110% to 125% of the original loan amount. When you reach that point, the lender will set the monthly payment amounts to fully repay the loan over the remaining term. Your payment cap will not apply, and your payments could be substantially higher. You may limit negative amortization by voluntarily increasing your monthly payment.

Be sure you know whether the ARM you are considering can have negative amortization.

Home Prices, Home Equity, and ARMs

Sometimes home prices rise rapidly, allowing people to quickly build equity in their homes. This can make some people think that even if the rate and payments on their ARM get too high, they can avoid those higher payments by refinancing their loan or, in the worst case, selling their home. It's important to remember that home prices do not always go up quickly--they may increase a little or remain the same, and sometimes they fall. If housing prices fall, your home may not be worth as much as you owe on the mortgage. Also, you may find it difficult to refinance your loan to get a lower monthly payment or rate. Even if home prices stay the same, if your loan lets you make minimum payments (see *payment-option ARMs*), you may owe your lender more on your mortgage than you could get from selling your home.

Prepayment penalties and conversion

If you get an ARM, you may decide later that you don't want to risk any increases in the interest rate and payment amount. When you are considering an ARM, ask for information about any extra fees you would have to pay if you pay off the loan early by refinancing or selling your home, and whether you would be able to convert your ARM to a fixed-rate mortgage.

Prepayment penalties

Some ARMs, including interest-only and payment-option ARMs, may require you to pay special fees or penalties if you refinance or pay off the ARM early (usually within the first 3 to 5 years of the loan). Some loans have *hard prepayment penalties*, meaning that you will pay an extra fee or penalty if you pay off the loan during the penalty period for any reason (because you refinance or sell your home, for example). Other loans have *soft prepayment penalties*, meaning that you will pay an extra fee or penalty only if you refinance the loan, but you will not pay a penalty if you sell your home. Also, some loans may have prepayment penalties even if you make only a partial prepayment.

Prepayment penalties can be several thousand dollars. For example, suppose you have a 3/1 ARM with an initial rate of 6%. At the end of year 2 you decide to refinance and pay off your original loan. At the time of refinancing, your balance is $194,936. If your loan has a prepayment penalty of 6 months' interest on the remaining balance, you would owe about $5,850.

Sometimes there is a trade-off between having a prepayment penalty and having lower origination fees or lower interest rates. The lender may be willing to reduce or eliminate a prepayment penalty based on the amount you pay in loan fees or on the interest rate in the loan contract.

If you have a hybrid ARM--such as a 2/28 or 3/27 ARM--be sure to compare the prepayment penalty period with the ARM's first adjustment period. For example, if you have a 2/28 ARM that has a rate and payment adjustment after the second year, but the prepayment penalty is in effect for the first 5 years of the loan, it may be costly to refinance when the first adjustment is made.

Most mortgages let you make additional principal payments with your monthly payment. In most cases, this is *not* considered prepayment, and there usually is no penalty for these extra amounts. Check with your lender to make sure there is no penalty if you think you might want to make this type of additional principal prepayment.

Conversion fees

Your agreement with the lender may include a clause that lets you convert the ARM to a fixed-rate mortgage at designated times. When you convert, the new rate is generally set using a formula given in your loan documents.

The interest rate or up-front fees may be somewhat higher for a convertible ARM. Also, a convertible ARM may require a fee at the time of conversion.

Graduated-payment or stepped-rate loans

Some fixed-rate loans start with one rate for one or two years and then change to another rate for the remaining term of the loan. While these are not ARMs, your payment will go up according to the terms of your contract. Talk with your lender or broker and read the information provided to you to make sure you understand when and by how much the payment will change.

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Where to Get Information

Disclosures from lenders

You should receive information in writing about each ARM program you are interested in before you have paid a nonrefundable fee. It is important that you read this information and ask the lender or broker about anything you don't understand--index rates, margins, caps, and other ARM features such as negative amortization. After you have applied for a loan, you will get more information from the lender about your loan, including the APR, a payment schedule, and whether the loan has a prepayment penalty.

The APR is the cost of your credit as a yearly rate. It takes into account interest, points paid on the loan, any fees paid to the lender for making the loan, and any mortgage insurance premiums you may have to pay. You can compare APRs on similar ARMs (for example, compare APRs on a 5/1 and a 3/1 ARM) to determine which loan will cost you less in the long term, but you should keep in mind that because the interest rate for an ARM can change, APRs on ARMs cannot be compared directly to APRs for fixed-rate mortgages.

You may want to talk with financial advisers, housing counselors, and other trusted advisers. Contact a local housing counseling agency, call the U.S. Department of Housing and Urban Development toll-free at 800-569-4287, or visit online to find a center near you.

Newspapers and the Internet

When buying a home or refinancing your existing mortgage, remember to shop around. Compare costs and terms, and negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan. You can usually find information on interest rates and points for several lenders. Since rates and points can change daily, you'll want to check information sources often when shopping for a home loan.

The Mortgage Shopping Worksheet may also help you. Take it with you when you speak to each lender or broker and write down the information you obtain. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

Advertisements

Any initial information you receive about mortgages probably will come from advertisements or mail solicitations from builders, real estate brokers, mortgage brokers, and lenders. Although this information can be helpful, keep in mind that these are marketing materials--the ads and mailings are designed to make the mortgage look as attractive as possible. These ads may play up low initial interest rates and monthly payments, without emphasizing that those rates and payments could increase substantially later. So, get all the facts.

Any ad for an ARM that shows an initial interest rate should also show how long the rate is in effect and the APR on the loan. If the APR is much higher than the initial rate, your payments may increase a lot after the introductory period, even if interest rates stay the same.

Choosing a mortgage may be the most important financial decision you will make. You are entitled to have all the information you need to make the right decision. Don't hesitate to ask questions about ARM features when you talk to lenders, mortgage brokers, real estate agents, sellers, and your attorney, and keep asking until you get clear and complete answers.

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The information on this site is also available in the brochure "Consumer Handbook on Adjustable-Rate Mortgages." Single or multiple copies of the brochure are available without charge. Order the brochure by telephone, mail, or fax. Order online.

Glossary | Mortgage Shopping Worksheet | For More Information

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Accessibility | Contact us

Last update: May 17, 2007

Shopping for your home loan

Settlement cost booklet

Consumer Financial Protection Bureau

January 2014

This booklet was initially prepared by the U.S. Department of Housing and Urban Development. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect the integrated mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act and other changes under the Dodd-Frank Act, and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Table of contents

1. Introduction

The Real Estate Settlement Procedures Act (RESPA) requires lenders and mortgage brokers to give you this booklet within three days of applying for a mortgage loan. RESPA is a federal law that helps protect consumers from unfair practices by settlement service providers during the home buying and loan process.

Buying a home is an important financial decision that should be considered carefully. This booklet will help you become familiar with the various stages of the home-buying process, including deciding whether you are ready to buy a home, and providing factors to consider in determining how much you can afford to spend. You will learn about the sales agreement, how to use a Good Faith Estimate to shop for the best loan for you, required settlement services to close your loan, and the HUD-1 Settlement Statement that you will receive at closing.

This booklet will help you become familiar with how interest rates, points, balloon payments, and prepayment penalties can affect your monthly mortgage payments. In addition, there is important information about your loan after settlement, including how to resolve loan-servicing problems with your lender, and steps you can take to avoid foreclosure. After you have purchased your home, this booklet will help you identify issues to consider before getting a home equity loan or refinancing your mortgage. Finally, if you have any questions after reading this booklet or are having a problem in the home-buying process or with your mortgage, you can contact the Consumer Financial Protection Bureau (CFPB). See the More information and Contact information appendices for contact information for the CFPB and other federal agencies, and information about the CFPB's complaint process. The appendices also include a glossary of defined terms.

Using this booklet as your guide will help you avoid the pitfalls and help you achieve the joys of home ownership.

2. Before you buy

2.1 Are you ready to be a homeowner?

A home may be the most expensive purchase you will ever make. Before you make a commitment, make sure you are ready. Avoid the pressure to buy a home you cannot afford. Here are some things to consider:

- Are you ready to be a homeowner? It is critical that you consider whether you have saved enough money to make a down payment in addition to being able to pay your other debts. You must have job stability and a steady income.

- How long do you plan on living in your home? Real estate is not always an investment that grows in value. No one can predict what will happen with your local housing market. If you plan to sell your home in the next few years, realize that the property may not increase substantially in value or may actually lose value. You may ultimately owe more to pay off your mortgage than your home will be worth.

- What is your estimated monthly payment for the home? In addition to the monthly payment for principal and interest, you will have to pay for taxes and insurance and possibly homeowner association dues. If your down payment is less than 20 percent, your lender may require that you pay the added expense for mortgage insurance.

- What are the other costs of owning a home? Be realistic about the costs of owning a home like heating and cooling and other utilities. You will generally need to budget for repairs and routine maintenance of your home, especially if you buy an older home.

- What can you afford? Be confident that you can make the monthly payments. Have a financial plan and make a budget. Do you have a steady source of reliable income to pay your mortgage should your interest rate or the cost of taxes and insurance increase in the future? Consider how many long-term debts you have such as car or student loans, as well as credit card bills.

- Have you talked with a housing counseling agency? Housing counselors can be very helpful, especially for first-time home buyers. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search online for HUD-approved housing counseling agencies in your area at the CFPB's website at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

After answering the questions above, have you determined that buying a house is right for you? If so, congratulations! Let's start shopping for a house and a loan.

Purchasing timeline

3. Determining what you can afford

To determine how much you can afford, you first need to know your monthly income. Second, you will need to calculate your monthly expenses which may include credit card bills, car payments, insurance premiums and all other debts. There is a worksheet in Appendix E ("Determining What You Can Afford Worksheet") that will help you calculate your income and expenses to help determine what you can afford.

Consider talking with a financial professional such as a housing counselor (see online search tool listed above) to help you determine what you can afford. Keeping your payments affordable is the best way to avoid foreclosure or other financial difficulties. While mortgage lenders will tell you how much they are willing to lend you (which is the loan amount you "qualify" for), and are required to consider your ability to repay the loan before they make the loan, you probably know your finances better than anyone, so you should determine how much you are willing and able to pay every month for your home.

4. Shopping for a house

4.1 Role of the real estate agent or broker

Frequently, the first person you consult about buying a home is a real estate agent or broker. Although agents and brokers provide helpful advice, they may legally be representing the interests of the seller and not yours. It is your responsibility to search for an agent who will represent your interests in the real estate transaction. **If you want someone to represent only your interests, consider hiring an "exclusive buyer's agent," who will be working for you.**

Even if the real estate agent represents the seller, state laws usually require that you are treated fairly. If you have any questions concerning the behavior of an agent or broker, you should contact your state's Real Estate Commission or licensing department.

Sometimes, the real estate broker will offer to help you obtain a mortgage loan. He or she may also recommend that you deal with a particular lender, mortgage broker, title company, attorney, or settlement/closing agent. You are not required to follow the real estate broker's recommendation, and you should compare the costs and services offered by other providers before making a decision.

4.2 Role of an attorney

Before you sign a sales agreement, you might consider asking an attorney to review it and tell you if it protects your interests. If you have already signed your sales agreement, you might still consider having an attorney review it.

When choosing an attorney, you should shop around and ask what services will be performed and whether the attorney is experienced in representing home buyers. You may also wish to ask the attorney whether the attorney will represent anyone other than you in the transaction.

In some areas, an attorney will act as a settlement agent to handle your settlement.

4.3 Terms of the sales agreement

Before you sign a sales agreement, here are some important points to consider. While the real estate broker will probably give you a preprinted form of the sales agreement, many terms are negotiable so you may make changes or additions to the agreement. The seller, however, must agree to every change you make in order for such changes to be incorporated into the sales agreement. For most home buyers, the sales price is the most important term. Make sure you know what the sales price includes, such as appliances. Here are other important terms of the sales agreement:

4.3.1 Mortgage clause

The mortgage clause will state whether or not your deposit will be refunded if the sale is cancelled because you are unable to get a mortgage loan. Your agreement could allow the purchase to be canceled if you cannot obtain mortgage financing at or below a specific interest rate or through a specific loan program.

4.3.2 Settlement costs

You can negotiate which settlement costs you will pay and which will be paid by the seller. The seller may contribute a lump sum amount or may agree to pay for specific items on your behalf.

4.3.3 Inspections

Most buyers prefer to pay for the following inspections so that the inspector is working for them, not the seller. You may want to include in your sales agreement the ability to cancel the agreement or renegotiate the contract for a lower sales price or for the needed repairs if you are not satisfied with the inspection results.

- **Home inspection:** You should have the home inspected. An inspection should determine the condition of the plumbing, heating, cooling, and electrical systems. The structure should also be examined to assure it is sound and to determine the condition of the roof, siding, windows, and doors. The lot should be graded away from the house so that water does not drain toward the house and into the basement. **You should be present during the inspection to ask any questions.**

- **Pests:** Your lender may require a certificate from a qualified inspector stating that the home is free from termites and other pests and pest damage. Even if your lender does not require a pest inspection, you may want to obtain a pest inspection to ensure the property does not have termites or other pests.

- **Lead-based paint hazards:** If you buy a home built before 1978, you have certain rights concerning lead-based paint and lead poisoning hazards. The seller or sales agent must give you the EPA pamphlet "Protect Your Family From Lead in Your Home" (or other EPA-approved lead hazard information). The seller must also disclose any known lead-based paint hazards in the property through a Lead Warning Statement and give you any relevant records or reports.

- **Other environmental concerns**: Your city or state may require sellers to disclose known environmental hazards such as leaking underground oil tanks, the presence of radon or asbestos, lead water pipes, and other such hazards. You may want to determine the environmental condition of the home for your own safety. You could also be financially liable for the clean-up of any environmental hazards.

4.3.4 Sharing of expenses

You need to negotiate with the seller about how expenses related to the property such as taxes, water and sewer charges, condominium fees, and utility bills, are to be divided on the date of settlement. Unless you agree otherwise, you should only be responsible for the portion of these expenses owed after the date of sale.

4.4 Affiliated businesses

When you are shopping for your home and your mortgage, a settlement service provider may refer you to its affiliated business. Affiliated business arrangements exist when several businesses are owned or controlled by a common corporate parent. When a lender, real estate broker, builder, or others refer you to an affiliated settlement service provider, RESPA requires that the referring party give you an Affiliated Business Arrangement Disclosure. **Except under certain circumstances, you are generally not required to use the affiliate and are free to shop for other service providers. You should shop around to determine that you are receiving the best service and price.**

4.5 Builders

If you are buying a newly constructed home, a builder may offer you an incentive or “deal” if you select its affiliated mortgage company or other settlement service business. You should shop and compare interest rates and other settlement charges before entering a contractual agreement to use these affiliated companies.

5. Shopping for a loan

Your choice of mortgage lender or broker, as well as type of loan itself, will influence your settlement costs and your monthly mortgage payment. You may find a listing of local lenders and mortgage brokers in the yellow pages and a listing of rates in your local newspaper. You may also wish to search the internet for lenders and brokers and their advertised rates. You can ask your family and friends about loan originators they have used and recommend.

5.1 Loan originator

A loan originator is a lender or a mortgage broker.

- **Mortgage brokers.** Some companies, known as “mortgage brokers,” may not make loans themselves but will offer to find you a mortgage lender willing to make you a loan. Mortgage brokers typically are paid through fees charged to you at settlement or through a higher interest rate that reimburses the lender for compensating the broker. Mortgage brokers are not required to find the best deal for you unless they have contracted with you to act as your “agent” or representative, or they have a duty to do so under state law.

- **Lenders.** A lender typically makes loans to borrowers directly. A lender receives payment through fees charged to you at settlement, payment from interest when you make your monthly mortgage payments, and payments if they sell your loan or the servicing of your loan after settlement.

Note: Whether you apply for a loan with a lender or mortgage broker, you should receive Good Faith Estimates (explained below) of settlement costs from multiple loan originators to make certain you get the best loan product at the lowest interest rate and lowest settlement costs.

5.2 Types of loans and programs

Shopping for your loan is probably the most important step in your home-buying process. Mortgage brokers and lenders have a wide variety of mortgage products. The type of loan product and your interest rate will not only influence your total settlement costs but will determine the amount of your monthly mortgage payment.

5.2.1 Government programs

You may be eligible for a loan insured by the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Affairs (VA), or offered by the Rural Housing Service (RHS). These programs usually require a smaller down payment. Ask your lender or mortgage broker about these programs. You should shop and compare quotes from different loan originators because each may offer different rates and loan terms.

If you are a first time home buyer, ask your real estate agent/broker and loan originator about the availability of local or state programs such as reductions in transfer taxes, special income tax deductions, or state homestead exemption discounts.

5.2.2 Types of mortgages

Two of the most common types of mortgage loans are fixed-rate mortgages and adjustable-rate mortgages. The interest rate on a fixed-rate mortgage will remain the same for the entire life of your loan while the interest rate on an adjustable-rate mortgage (ARM) may adjust at regular intervals and may be tied to an economic index, such as a rate for Treasury securities. When the interest rate on an ARM adjusts it may cause your payment to increase.

Some adjustable-rate mortgages allow the borrower to pay either the “interest only” or less than the “interest only.” In both options, none of the mortgage payment is applied towards the loan balance (principal). In a less than “interest only” option, the unpaid interest is added to your loan balance and you can owe more than the amount you initially borrowed, even if you make all your payments on time. This is called negative amortization. If you are a first-time borrower and your mortgage could result in negative amortization, your lender is required to make sure you get homeownership counseling before you borrow the money.

When the loan balance increases to the maximum amount the loan is “recast” and your loan payment may double or even triple. When faced with “payment shock,” you may discover too late that the loan payments no longer fit within your budget and that the loan is difficult to refinance. You may then be in danger of losing your home.

Warning: Choosing an ARM product could affect your ability to pay your mortgage in the future, resulting in loan default or foreclosure. You need to become familiar with the features of ARM products to find the one that best fits your needs. If you decide to obtain an ARM, consider obtaining additional information. Additional information may be found by contacting the CFPB. Contact information is given in the appendices to this booklet. Also, a publication on adjustable-rate mortgages is available from the CFPB files.consumerfinance.gov/f/201204_CFPB_ ARMs-brochure.pdf.

5.3 Taxes and insurance

In addition to the principal and interest portion of your mortgage payment, you will have to pay property taxes and insurance to protect the property in the event of disaster such as a fire or flood. Based on your down payment, you may also have to pay mortgage insurance. Your lender may require an escrow or impound account to pay these items with your monthly mortgage payment. If an escrow account is not required, you are responsible for making these payments when they become due and will need to budget for them in addition to your monthly mortgage payment.

Mortgage insurance may be required by your lender if your down payment is less than 20 percent of the purchase price. Mortgage insurance protects the lender if you default on your loan. You may be able to cancel mortgage insurance in the future based on certain criteria, such as paying down your loan balance to a certain amount. Before you commit to paying for mortgage insurance, find out the specific requirements for cancellation. Mortgage insurance should not be confused with mortgage life, credit life, or disability insurance. These products are designed to pay off a mortgage in the event of a borrower's death or disability.

Homeowner's (hazard) insurance protects your property in the event of a loss such as fire. Many lenders require that you get a homeowner's policy before settlement.

Flood insurance will be required if the house is in a flood hazard area. After your loan is settled, if a change in flood insurance maps brings your home within a flood hazard area, your lender or servicer may require you to buy flood insurance at that time.

6. Good Faith Estimate (GFE)

The GFE is a three-page form designed to encourage you to shop for a mortgage loan and settlement services so you can determine which mortgage is best for you. It shows the loan terms and the settlement charges you will pay if you decide to go forward with the loan process and are approved for the loan. It explains which charges can change before your settlement and which charges must remain the same. It contains a shopping chart allowing you to compare multiple mortgage loans and settlement costs, making it easier for you to shop for the best loan. The GFE may be provided by a mortgage broker or the lender. **Until they give you a GFE, loan originators are only permitted to charge you for the cost of a credit report. They are not permitted to charge you a fee for an appraisal, inspection, or other similar settlement service prior to giving you the GFE.**

In the loan application process, the loan originator will need your name, Social Security number, gross monthly income, property address, estimate of the value of the property, and the amount of the mortgage loan you want to determine the GFE. Your Social Security number is used to obtain a credit report showing your credit history, including past and present debts and the timeliness of repayment.

6.1 Your GFE step-by-step

6.1.1 Page 1 of the GFE

Now let’s go through the GFE step-by-step. The top of page 1 of the GFE shows the property address, your name and contact information, and your loan originator’s contact information.

Important Dates

1. The interest rate for this GFE is available through [January 2, 2010 @ 4pm]. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through [January 22, 2010]
3. After you lock your interest rate, you must go to settlement within [30] days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least [15] days before settlement.

The Important Dates section of the GFE includes key dates of which you should be aware.

Line 1 discloses the date and time the interest rate offer is good through.

Line 2 discloses the date "All Other Settlement Charges" is good through. This date must be open for at least 10 business days from the date the GFE was issued to allow you to shop for the best loan for you.

Line 3 discloses the interest rate lock time period, such as 30, 45, or 60 days, that the GFE was based on. **It does not mean that your interest rate is locked.**

Line 4 discloses the number of days prior to going to settlement that you must lock your interest rate.

Note: "Locking in" your rate and points at the time of application or during the processing of your loan will keep the interest rate and points from changing until the rate lock period expires.

Summary of Your Loan

Your initial loan amount is	$ 200,000.00
Your loan term is	30 years
Your initial interest rate is	5.0 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ 1,173.00 per month
Can your interest rate rise?	[ ] No [X] Yes, it can rise to a maximum of 10.0 %. The first change will be in 6 months
Even if you make payments on time, can your loan balance rise?	[X] No [ ] Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	[ ] No [X] Yes, the first increase can be in 6 months and the monthly amount owed can rise to $ 1,290.00 . The maximum it can ever rise to is $ 1,842.00 .
Does your loan have a prepayment penalty?	[X] No [ ] Yes, your maximum prepayment penalty is $
Does your loan have a balloon payment?	[X] No [ ] Yes, you have a balloon payment of $ due in years.

The Summary of Your Loan section discloses your loan amount, loan term, the initial interest rate and the principal, interest and mortgage insurance portion of your monthly mortgage payment. It also informs you if your interest rate can increase, if your loan balance can rise, whether your mortgage payment can rise, and if there is a prepayment penalty or balloon payment. In the example above, the loan amount is $200,000 which will be paid over 30 years. The initial interest rate is 5 percent and the initial monthly mortgage payment is $1,173 which includes mortgage insurance, but does not include any amounts to pay for property taxes and homeowner's insurances if required by the lender.

In our example, the loan has an adjustable interest rate. Since the interest rate can rise, the 'yes' box was checked, and the loan originator disclosed that the initial interest rate of 5 percent could rise as high as 10 percent. The first time your interest rate could rise is six months after settlement which could increase your payments to $1,290. Over the life of your loan your monthly payments could increase from $1,173 to $1,842. This example does not contain a balloon payment or a prepayment penalty.

Note: A prepayment penalty is a charge that is assessed if you pay off the loan within a specified time period, such as three years. A balloon payment is due on a mortgage that usually offers a low monthly payment for an initial period of time. After that period of time elapses, the balance must be paid by the borrower, or the amount must be refinanced. You should think carefully before agreeing to these kinds of mortgage loans. If you are unable to refinance or pay the balance of the loan, you could put your home at risk.

Escrow Account Information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of $ 1,173.00 .

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

The GFE also includes a separate section referred to as 'Escrow Account Information,' which indicates whether or not an escrow account is required. This account holds funds needed to pay property taxes, homeowner's insurance, flood insurance (if required by your lender), or other property-related charges.

If the GFE specifies that you will have an escrow account, you will probably have to pay an initial amount at settlement to start the account and an additional amount with each month's regular payment. If you wish to pay your property taxes and insurance directly, some lenders will give you a higher interest rate or charge you a fee. **If your lender does not require an escrow account, you must pay these items directly when they are due.**

Summary of Your Settlement Charges

A	Your Adjusted Origination Charges (See page 2.)	$3,750.00
B	Your Charges for All Other Settlement Services (See page 2.)	$4,530.00
A + B	Total Estimated Settlement Charges	$ 8,280.00

The final section on page 1 of the GFE contains the adjusted origination charges and the total estimated charges for other settlement services, which are detailed on page 2. You should compare the "Total Estimated Settlement Charges" on several GFEs.

6.1.2 Page 2 of the GFE

The price of a home mortgage loan is stated in terms of an interest rate and settlement costs. Often, you can pay lower total settlement costs in exchange for a higher interest rate and vice versa. Ask your loan originator about different interest rates and settlement costs options.

Your Adjusted Origination Charges, Block A

1.	**Our origination charge** This charge is for getting this loan for you.	$6,750.00
2.	**Your credit or charge (points) for the specific interest rate chosen** ☐ The credit or charge for the interest rate of ____ % is included in "Our origination charge." (See item 1 above.) ☒ You receive a credit of $ 3,000.00 for this interest rate of 5.0 %. This credit **reduces** your settlement charges. ☐ You pay a charge of $ ____ for this interest rate of ____ %. This charge (points) **increases** your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-$3,000.00
A	Your Adjusted Origination Charges	$ 3,750.00

Block 1, "Our origination charge" contains the lender's and the mortgage broker's charges and point(s) for originating your loan.

Block 2, "Your credit or charge point(s) for the specific interest rate chosen."

- If box 1 is checked, the credit or charge for the interest rate is part of the origination charge shown in Block 1.
- If box 2 is checked, you will pay a higher interest rate and receive a credit to reduce your adjusted origination charge and other settlement charges.
- If box 3 is checked, you will be paying point(s) to reduce your interest rate and, therefore, will pay higher adjusted origination charges.

Note: A point is equal to one percent of your loan amount.

After adding or subtracting Block 2 from Block 1, "Your Adjusted Origination Charge" is shown in Block A.

In the example shown, the origination charge is $6,750. No points were paid to reduce the interest rate. Instead, because of the interest rate chosen, the offer contains a $3,000 credit that reduces the adjusted origination charge to $3,750.

Your Charges for All Other Settlement Services, Blocks 3 through 11

In addition to the charges to originate your loan, there are other charges for services that will be required to get your mortgage. For some of the services, the loan originator will choose the company that performs the service (Block 3). The loan originator usually permits you to select the settlement service provider for "Title services and lender's title insurance" (Block 4). "Owner's title insurance" is also disclosed (Block 5). Other required services that you may shop for are included in "Required services that you can shop for" (Block 6)

3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. *Service* — *Charge* Appraisal — $275.00 Credit report — $40.00 Flood certification — $12.00 Tax service — $56.00	$383.00
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	$1,275.00
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	$175.00
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. *Service* — *Charge* Survey — $250.00 Pest inspection — $45.00	$295.00

Block 3 contains charges for required services for which the loan originator selects the settlement service provider. These are not "shoppable" services and often include items such as the property appraisal, credit report, flood certification, tax service and any required mortgage insurance.

Block 4 contains the charge for title services, the lender's title insurance policy and the services of a title, settlement or escrow agent to conduct your settlement.

Block 5 contains the charge for an owner's title insurance policy that protects your interests.

Note: Under RESPA, the seller may not require you, as a condition of the sale, to purchase title insurance from any particular title company.

Block 6 contains charges for required services for which you may shop for the provider. Some of these items may include a survey or pest inspection.

7. Government recording charges These charges are for state and local fees to record your loan and title documents.	$50.00
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	$1,368.00
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes [x] all property taxes, [x] all insurance, and [ ] other ______ .	$306.00
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is $ 28.00 per day for 1 days (if your settlement is 1/31/2010).	$28.00
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. *Policy* — *Charge* Homeowner's insurance — $650.00	$650.00

Block 7 contains charges by governmental entities to record the deed and documents related to the loan.

Block 8 contains charges by state and local governments for taxes related to the mortgage and transferring title to the property.

Block 9 contains the initial amount you will pay at settlement to start the escrow account, if required by the lender.

Block 10 contains the charge for the daily interest on the loan from the day of settlement to the first day of the following month.

Block 11 contains the annual charge for any insurance the lender requires to protect the property such as homeowner's insurance and flood insurance.

Total Estimated Settlement Charges

B	Your Charges for All Other Settlement Services	$ 4,530.00
A + B	Total Estimated Settlement Charges	$ 8,280.00

"Your charges for All Other Settlement Services", Blocks 3 through 11, are totaled in Block B. Blocks A and B are added together resulting in the Total Estimated Settlement Charges associated with getting the loan. These Blocks are carried forward to the bottom of page 1 of the GFE.

6.1.3 Page 3 of the GFE

Page 3 of the GFE contains important instructions and information that will help you shop for the best loan for you.

Understanding which charges can change at settlement

These charges **cannot increase** at settlement:	The total of these charges **can increase up to 10%** at settlement:	These charges **can change** at settlement:
▪ Our origination charge ▪ Your credit or charge (points) for the specific interest rate chosen *(after you lock in your interest rate)* ▪ Your adjusted origination charges *(after you lock in your interest rate)* ▪ Transfer taxes	▪ Required services that we select ▪ Title services and lender's title insurance *(if we select them or you use companies we identify)* ▪ Owner's title insurance *(if you use companies we identify)* ▪ Required services that you can shop for *(if you use companies we identify)* ▪ Government recording charges	▪ Required services that you can shop for (if you do not use companies we identify) ▪ Title services and lender's title insurance (if you do not use companies we identify) ▪ Owner's title insurance (if you do not use companies we identify) ▪ Initial deposit for your escrow account ▪ Daily interest charges ▪ Homeowner's insurance

There are three different categories of charges that you will pay at closing: charges that cannot increase at settlement; charges that cannot increase in total more than 10 percent; and charges that can increase at settlement. You can use this as a guide to understand which charges can or cannot change. Compare your GFE to the actual charges listed on the HUD-1 Settlement Statement to ensure that your lender is not charging you more than permitted.

Written list of settlement service providers

A written list will be given to you with your GFE that includes all settlement services that you are required to have and that you are allowed to shop for. You may select a provider from this list or you can choose your own qualified provider. If you choose a name from the written list provided, the final charge for that service may not be more than 10 percent higher than the cost shown on the GFE. If you select your own service provider, the 10 percent tolerance will not apply.

Even though you may find a better deal by selecting your own provider, you should choose the provider carefully as those charges could increase at settlement. If your loan originator fails to provide a list of settlement service providers, the 10 percent tolerance automatically applies even if you do not select a service provider known to the lender.

Using the tradeoff table

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	$ 200,000.00	$ 200,000.00	$ 200,000.00
Your initial interest rate [1]	5.0 %	6.0 %	4.5 %
Your initial monthly amount owed	$ 1,173.00	$ 1,299.00	$ 1,113.00
Change in the monthly amount owed from this GFE	No change	You will pay $ 126.00 **more** every month	You will pay $ 60.00 **less** every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be **reduced** by $ 1,500.00	Your settlement charges will **increase** by $ 1,500.00
How much your total estimated settlement charges will be	$ 8,280.00	$ 6,780.00	$ 9,780.00

[1] *For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.*

The "tradeoff table" on page 3 will help you understand how your loan payments can change if you pay more settlement charges and receive a lower interest rate or if you pay lower settlement charges and receive a higher interest rate.

The loan originator must complete the first column with information contained in the GFE. If the loan originator has the same loan product available with a higher or lower interest rate, the loan originator may choose to complete the remaining columns. If the second and third columns are not filled in, ask your loan originator if they have the same loan product with different interest rates.

Using the shopping chart

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	ABC Company	DEF Company	CS Company	
Initial loan amount	$200,000.00	$200,000.00	$200,000.00	
Loan term	30 years	30 years	30 years	
Initial interest rate	5.0%	5.0%	5.375%	
Initial monthly amount owed	$1,173.00	$1,173.00	$1,219.00	
Rate lock period	30 days	30 days	30 days	
Can interest rate rise?	yes	yes	yes	
Can loan balance rise?	no	no	no	
Can monthly amount owed rise?	yes	yes	yes	
Prepayment penalty?	no	no	no	
Balloon payment?	no	no	no	
Total Estimated Settlement Charges	$8,280.00	$8,309.00	$5,840.00	

You can use this chart to compare similar loans offered by different loan originators. Fill in each column with the information shown in the "Summary of your loan" section from the first page of all the GFEs you receive. Compare each offer and select the best loan for you.

6.2 After you choose the best loan for you

After comparing several GFEs, select the best loan for you and notify the loan originator that you would like to proceed with the loan. Keep your Good Faith Estimate so you can compare it with the final settlement costs stated on your HUD-1 Settlement Statement. Ask the lender and settlement agent if there are any changes in fees between your GFE and your HUD-1 Settlement Statement. Some charges cannot be increased, and your lender must reimburse you if those charges were illegally increased.

6.3 New home purchases

If you are purchasing a new home that is being built or has not been built yet, your GFE could change. If the GFE can change, the loan originator must notify you that the GFE may be revised at any time up to 60 days before settlement. If you get a revised GFE, look at it to determine if the loan and settlement costs it discloses are the best for you.

6.4 Changed circumstances

If there are changes involving your credit, the loan amount, the property value, or other information that was relied on in issuing the original GFE, a revised GFE may be issued. Only the charges affected by the changed circumstance may be revised.

7. Shopping for other settlement services

There are other settlement services that the lender will require for your loan. You may be able to shop for these services or you may choose providers identified on the written list you receive from the loan originator, but this may affect your final charges, as discussed above (see "Written list of settlement service providers" above). Some of these other settlement services are described below.

7.1 Title services and settlement agent

When you purchase your home, you receive "title" or proof of ownership to the home. Certain title services will be required by your lender to protect against liens or claims on the property. Title services include the title search, examination of the title, preparation of a commitment to insure, conducting the settlement, and all administration and processing services that are involved within these services. Many lenders require a lender's title insurance policy to protect them against loss resulting from claims by others against your new home.

A lender's title insurance policy protects the lender; it does not protect you. If a title claim occurs, it can be financially devastating to an owner who is uninsured. **If you want to protect yourself from claims by others against your new home, you will also need an owner's title insurance policy.**

To save money on title insurance, compare rates among various title insurance companies. If you are buying a newly constructed home, make certain your title insurance covers claims by contractors. These claims are known as "mechanics' liens" in some parts of the country. In many states, title insurance premium rates are filed with the state and may not be negotiable, but other title service related charges may be. Be sure to ask your title agent about any available discounts such as a reissue rate or a simultaneous issue discount.

Title services also include the services of a settlement agent. Settlement practices vary from locality to locality, and even within the same county or city. Depending on the locality, settlements may be conducted by lenders, title insurance companies, escrow companies or attorneys for the buyer or seller. In some parts of the country, a settlement may be conducted by an escrow agent. Unlike other types of settlement, the parties may not meet around a table to sign documents. Ask how your settlement will be handled.

7.2 Survey

Lenders or title insurance companies may require a survey to disclose the location of the property. The survey is a drawing of the property showing the location of the house and other improvements on the property. You may be able to avoid the cost of a new survey if you determine the company that previously surveyed the property and request an update. Check with your lender and title insurance company on whether an updated survey is acceptable.

7.3 Homeowner's insurance

As a condition to settle, most lenders will require that you procure homeowner's insurance, flood insurance, or other hazard insurance to protect the property from loss. Don't forget to shop for the best rates.

8. Your settlement and HUD-1

You have determined what you can afford, shopped for the best loan for you, and found the right house. After all the hard work, it is time to go to settlement, but don't forget to bring your GFE to compare with the charges listed on the HUD-1 Settlement Statement (HUD-1). It is a good idea to review your HUD-1 before your settlement. Let your settlement agent and lender know that you want to receive a completed HUD-1 at least one day prior to your settlement.

8.1 Settlement

Your settlement may be conducted by your lender or your title insurance company, an escrow company, your attorney or the seller's attorney. Regardless of who performs the settlement, there will be many important documents that you will need to sign. Make sure you carefully read and understand all the documents before you sign them. Do not be afraid to ask the lender any questions you have about your loan documents.

8.2 HUD-1 Settlement Statement

The HUD-1 is a form that lists all charges and credits to the borrower and seller in a transaction. You have the right under RESPA to inspect the HUD-1 before settlement occurs. When you receive a copy of the HUD-1, compare it to your GFE. Ask the lender questions about any changes in fees between your GFE and the HUD-1. Your lender must reimburse you if a closing cost tolerance was violated.

8.2.1 Page 1 of the HUD-1

100 – 300 Series, Summary of Borrower's Transactions

The first page of the HUD-1 summarizes all of the charges and credits to the buyer and seller.

Line 101 is the contract sales price.

Line 103 is the total settlement charges from page 2.

Lines 106 to 112 lists items you are reimbursing the seller for that were already paid for by the seller, such as property taxes or homeowner association dues.

Line 120 is the total of the 100 series section and is the total amount you owe.

Lines 200 to 209 contain credits for items paid by you, such as the earnest money deposit and other credits from the seller and other parties.

Lines 210 to 219 are credits from the seller for items owed by the seller that are due after settlement.

Line 220 is the total of all credits from Lines 201 to 219. Subtract the amount on Line 220 from the amount on Line 120.

Line 303 is the amount you must bring to settlement or the amount you will receive.

J. Summary of Borrower's Transaction	
100. Gross Amount Due from Borrower	
101. Contract sales price	$210,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	$8,044.00
104.	
105.	
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. Gross Amount Due from Borrower	$218,044.00
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	$2,000.00
202. Principal amount of new loan(s)	$200,000.00
203. Existing loan(s) taken subject to	
204.	
205.	
206. Seller closing cost credit	$2,000.00
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes 1/1/2010 to 1/31/2010	$200.00
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	$204,200.00
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	$218,044.00
302. Less amounts paid by/for borrower (line 220)	($204,200.00)
303. Cash ☒ **From** ☐ **To Borrower**	$13,844.00

8.2.2 Page 2 of the HUD-1

700 Series, Total Real Estate Broker Fees

700. Total Real Estate Broker Fees			Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :				
701. $ 6,000.00	to	ABC Real Estate Co.		
702. $ 6,000.00	to	XYZ Real Estate Co.		
703. Commission paid at settlement				$12,000.00

This section of the settlement statement shows the commissions paid to the real estate agents. There are no corresponding lines on the GFE because the lender does not require this service before you get your loan.

800 Series, Items Payable in Connection with Loan

800. Items Payable in Connection with Loan				
801. Our origination charge	includes origination point(s) (1% or $2,000)	$ 6,750.00	(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen		- $ 3,000.00	(from GFE #2)	
803. Your adjusted origination charges			(from GFE #A)	$3,750.00

Line 801, “Our origination charge,” lists the lender’s and mortgage broker’s charge for getting you the loan and references GFE Block 1. In this example, Line 801 designates an origination point of $2,000 for possible tax deductibility.

Line 802 lists either the charge for the interest rate (points) or a credit and references GFE Block 2.

Line 803 lists “Your adjusted origination charges.” This amount is the sum of Lines 801 and 802 and references Block A on the GFE.

804. Appraisal fee to	Appraisal Company	(from GFE #3)	$325.00
805. Credit report to	Credit Report Company	(from GFE #3)	$40.00
806. Tax service to	Tax Service Company	(from GFE #3)	$76.00
807. Flood certification to	Flood Certification Company	(from GFE #3)	$12.00
808.			

Line 804 is the charge for the appraisal report prepared by an appraiser.

Line 805 is the fee for a credit report showing your credit history.

Line 806 is the fee paid to a tax service provider for information on the real estate property taxes.

Line 807 is the fee paid to the service providing information on whether the property is in a flood zone.

Lines 804, 805, 806 and 807 usually reference GFE Block 3.

Line 808 and any additional lines are used to list other third party services required by your lender, including FHA or VA fees.

900 Series, Items Required by Lender to be Paid in Advance

900. Items Required by Lender to be Paid in Advance		
901. Daily interest charges from 1/31/2010 to 2/1/2010 @ $ 28.00 /day	(from GFE #10)	$28.00
902. Mortgage insurance premium for months to	(from GFE #3)	
903. Homeowner's insurance for 1 years to Insure-It ($600 P.O.C. by borrower)	(from GFE #11)	

These are charges that the lender requires to be prepaid at settlement.

Line 901 lists the daily interest charges collected for the period between the date of your settlement and the first day of the next month. This charge is disclosed in Block 10 of your GFE. In this example, the loan closed on 1/31/10, and the interest on the GFE was calculated with a 1/31/10 closing date so the charges are the same on both. This amount on Line 901 may differ from the amount on the GFE if the settlement date changes.

Line 902 lists the charge for any up-front mortgage insurance premium payment due at settlement. This is one of the charges disclosed in GFE Block 3 of your GFE. In this example, there is no payment due.

Line 903 is the charge for the homeowner's insurance policy and is one of the charges disclosed in Block 11 of your GFE. In the example, the homeowner's insurance was paid prior to the day of settlement so the charge is listed as "P.O.C. by borrower". P.O.C. stands for "Paid Outside of Closing". You typically have to bring a pre-paid insurance policy to your settlement.

1000 Series, Reserves Deposited with Lender

1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account				(from GFE #9)	$350.00
1002. Homeowner's insurance	1	months @ $ 50.00	per month	$ 50.00	
1003. Mortgage insurance	1	months @ $ 100.00	per month	$ 100.00	
1004. Property Taxes	2	months @ $ 200.00	per month	$ 400.00	
1005.		months @ $	per month	$	
1006.		months @ $	per month	$	
1007. Aggregate Adjustment				-$ 200.00	

This series of the HUD-1 lists the amounts collected by the lender to be placed in your escrow account for future payments of items such as homeowner's insurance, mortgage insurance and property taxes.

Line 1007 is an adjustment to make sure lenders are only collecting the maximum amount allowed by law. In this example, even though the first year's homeowner's insurance premium has already been paid, the lender has started escrowing money to pay the next bill when it becomes due.

1100 Series, Title Charges

1100. Title Charges					
1101. Title services and lender's title insurance			(from GFE #4)	$1,275.00	
1102. Settlement or closing fee	to 3rd Party Closing Company	$ 100.00			$125.00
1103. Owner's title insurance	to Title Town USA		(from GFE #5)	$175.00	
1104. Lender's title insurance		$ 725.00			
1105. Lender's title policy limit $ 200,000.00					
1106. Owner's title policy limit $ 210,000.00					
1107. Agent's portion of the total title insurance premium to	Title Town USA	$ 720.00			
1108. Underwriter's portion of the total title insurance premium to	Underwriter	$ 180.00			

Line 1101 lists the charge for all title services and the lender's title insurance policy. Title services includes any service involved with providing title insurance, such as title examination, preparing the title commitment, clearing the title to the property, preparing and issuing the title policies and conducting the settlement. These charges correspond to GFE Block 4.

Line 1102 is the amount of the settlement or closing fee if performed by a company different from the one providing title insurance. This charge is part of the charge listed in Line 1101.

Line 1103 lists the charge for the owner's title insurance policy, if you decided to buy one. It corresponds to Block 5 of the GFE.

Line 1104 lists the charge for the lender's title insurance policy which is part of the charge listed in Line 1101.

Line 1105 is the lender's title policy limit. It often is lower than the value of the property because it only covers the amount of your lender's lien on your property.

Line 1106 lists the owner's title policy limit. The liability limit of the owner's policy is typically the purchase price paid for the property.

Line 1107 lists the portion of the title insurance premiums retained by the title insurance agent.

Line 1108 lists the portion of the title insurance premiums retained by the underwriter.

1200 Series, Government Recording and Transfer Charges

1200. Government Recording and Transfer Charges					
1201. Government recording charges			(from GFE #7)	$50.00	
1202. Deed $ 25.00	Mortgage $ 25.00	Release $ 15.00			$15.00
1203. Transfer taxes			(from GFE #8)	$1,368.00	
1204. City/County tax/stamps	Deed $ 684.00	Mortgage $			
1205. State tax/stamps	Deed $ 684.00	Mortgage $			

Government recording charges listed in the 1200 series on the HUD-1 are charges paid to state and local governmental agencies to record important documents such as the deed and mortgage or deed of trust and transfer taxes to legally transfer property.

Line 1201 lists all government recording charges and corresponds to Block 7 of your GFE. This represents the cumulative amount the borrower is paying for government recording charges.

Line 1202 itemizes specific recording charges for the deed, the mortgage, and any releases of prior liens against your property shown in Line 1201. When the seller pays for an item, such as a release, the charge is listed in the seller's column. In this example, the borrower is paying $50.00 of the recording charges, and the seller is paying $15.00. The total paid for the government recording charges was $65.00 (borrower $50.00 / seller $15.00).

Line 1203 lists the charge for transfer taxes. Transfer taxes are charged by state or local government to transfer real property or place a new lien (mortgage or deed of trust) on a property. This charge is listed in Block 8 of your GFE.

Lines 1204 and 1205 itemize the charges for transfer taxes listed in Line 1203.

Line 1206 can be used to list additional items related to recording or transfer charges.

In our example, the government recording charge that appeared in Block 7 of the GFE was $50.00 which is illustrated in the column on Line 1201 on the HUD-1.

Series 1300, Additional Settlement Charges

1300. Additional Settlement Charges			
1301. Required services that you can shop for		(from GFE #6)	$295.00
1302. Survey to Measure-It	$ 250.00		
1303. Pest inspection to Rid-A-Bug	$ 45.00		
1304. Home Warranty to Home Warranty Company			$300.00
1305.			
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			$8,044.00

Line 1301 is the total of lender required services for which you chose the provider (other than title services). These services are itemized in the lines below 1301. These charges are listed in Block 6 of your GFE.

In addition to services the loan originator required there may be additional services that you chose. In our example, Line 1304 lists a homeowner's warranty to provide protection for your home's mechanical systems and appliances. A charge for a pest inspection or survey will appear as a line item in the 1300 series of the HUD-1, if the borrower elected to obtain an inspection or survey that was not a condition of the loan or required by the lender.

Line 1400 is the total of all charges listed in page 2 on the HUD-1 for the seller and you, the buyer. These totals are also listed on page 1 of the HUD-1. Your charges appear in Section J, Summary of the Borrower's Transaction, on Line 103. The seller's charges are listed in Section J, Summary of Seller's Transaction, on Line 502.

8.2.3 Page 3 of the HUD-1

The third page of the HUD-1 is made up of two sections: the Comparison Chart and the Loan Terms. The Comparison Chart will help you compare the charges disclosed on your GFE and the actual charges listed on page 2 of the HUD-1. The Loan Terms section can assure you that the loan you applied for is the loan you received at settlement. This section should compare with the "Summary of Your Loan" on page 1 of the GFE.

Comparison Chart

There are three categories in the Comparison Chart: charges that could not increase at settlement, charges that in total could not increase more than 10 percent and charges that could change. Compare the charges listed in the GFE column with the charges in the HUD-1 column. If the charges that cannot increase have increased or the total of the charges that cannot increase more than 10 percent have exceeded the 10 percent increase limit, the lender must reimburse you at settlement or within thirty (30) days after settlement.

Comparison of Good Faith Estimate (GFE) and HUD-1 Charrges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	**HUD-1 Line Number**		
Our origination charge	# 801	$6,750.00	$6,750.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-$3,000.00	-$3,000.00
Your adjusted origination charges	# 803	$3,750.00	$3,750.00
Transfer taxes	# 1203	$1,368.00	$1,368.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	$50.00	$50.00
Appraisal	# 804	$275.00	$325.00
Credit report	# 805	$40.00	$40.00
Tax service fee	# 806	$56.00	$76.00
Flood certfication	# 807	$12.00	$12.00
Title services and lender's title insurance	# 1101	$1,275.00	$1,275.00
Owner's title insurance	# 1103	$175.00	$175.00
	#		
	Total	$1,883.00	$1,953.00
	Increase between GFE and HUD-1 Charges	$ 70 or	4 %

Charges That Can Change				Good Faith Estimate	HUD-1
Initial deposit for your escrow account			# 1001	$306.00	$350.00
Daily interest charges	$ 28.00	/day	# 901	$28.00	$28.00
Homeowner's insurance			# 903	$650.00	$600.00
Survey			# 1302	$250.00	$250.00
Pest inspection			# 1303	$45.00	$45.00

In the example above, the “Charges That In Total Cannot Increase More Than 10%” were only increased by $70 or 4 percent and did not exceed the 10 percent tolerance. For the category “Charges That Can Change” in this example the borrower selected a pest inspection and survey provider that were not on the written list.

Loan terms

The last section on the HUD-1 (next page) clearly sets forth the terms of your loan, including the loan amount, your interest rate and your monthly payments. It will also disclose the monthly escrow payment account information. It lets you know whether your interest rate, your loan balance, or your monthly payments can increase and whether your loan has a prepayment penalty or a balloon payment. Look at this information carefully and make sure you are getting the loan and the terms that were set forth in your GFE. **If the loan terms do not match the loan terms on your GFE or if you have questions, contact your lender before signing any documents.**

Loan Terms

Your initial loan amount is	$ 200,000.00
Your loan term is	30 years
Your initial interest rate is	5.0 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ 1,173.00 includes [X] Principal [X] Interest [X] Mortgage Insurance
Can your interest rate rise?	[ ] No [X] Yes, it can rise to a maximum of 10.0 %. The first change will be on 6/1/2010 and can change again every 6 months after 6/1/2010. Every change date, your interest rate can increase or decrease by 1.0 %. Over the life of the loan, your interest rate is guaranteed to never be **lower** than 5.0 % or **higher** than 10.0 %.
Even if you make payments on time, can your loan balance rise?	[X] No [ ] Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	[ ] No [X] Yes, the first increase can be on 6/1/2010 and the monthly amount owed can rise to $ 1,290.00. The maximum it can ever rise to is $ 1,842.00.
Does your loan have a prepayment penalty?	[X] No [ ] Yes, your maximum prepayment penalty is $
Does your loan have a balloon payment?	[X] No [ ] Yes, you have a balloon payment of $ due in years on .
Total monthly amount owed including escrow account payments	[ ] You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. [X] You have an additional monthly escrow payment of $ 350.00 that results in a total initial monthly amount owed of $ 1,523.00. This includes principal, interest, any mortagage insurance and any items checked below: [X] Property taxes [X] Homeowner's insurance [ ] Flood insurance [ ] [ ] [ ]

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

9. Your loan after settlement

After settlement, federal law requires that you be given disclosures concerning the servicing of your loan and any escrow account and that you receive a written mortgage statement each billing cycle. You also have certain protections in regard to the timely payment of your taxes and insurance.

9.1 Servicing and escrow disclosure statements

The company that collects your mortgage payments is your loan servicer. This could be a different company than your lender. When you apply for your loan or within three business days, RESPA requires that your lender or mortgage broker tell you in writing whether someone else may be servicing your loan. After your settlement, if your loan servicer transfers the servicing of your loan to a new servicer, RESPA requires that you be notified in writing at least 15 days before the transfer in most cases. The notice must tell you when the transfer is effective and when you will begin making payments to the new servicer. The notice letter must also give you the contact information for the new servicer as well as other important information about the servicing of your loan.

If your loan requires an escrow account, the servicer of your loan must give you an initial escrow account statement at your settlement or within the following 45 days. That form will show all of the payments that are expected to be deposited into your escrow account and all of the disbursements that are expected to be paid from the escrow account during the year. Your servicer will review your escrow account annually and send you a disclosure each year that shows the prior year's activity and any adjustments necessary in the escrow payments that need to be made in the upcoming year. You will not receive this yearly disclosure if your loan is more than 30 days overdue. Remember that your monthly payment can increase if your taxes or insurance payments increase.

9.2 Billing information

Servicers are required to give you a written mortgage statement each billing cycle showing the following, if applicable to your loan:

- Your current bill
    - What you owe on the current bill, and how much, if any, will be applied to principal, interest, and escrow. If your mortgage loan has multiple payment options, the statement must show whether the principal balance will increase, decrease, or stay the same for each option listed.
    - The amount of any late payment fee and the date you must make the current payment to avoid the fee.
- Your past payments and activity
    - How your total payments received since the last statement and since the beginning of the year were applied.
    - Transaction activity, including the amount and date of any charge or credit that affects your current bill.
    - Information on any payments that you made that were less than the full amount owed (known as "partial payments") and what must be done for the funds to be applied to your loan balance.
- Other account information
    - The amount of principal you currently owe.
    - Your current interest rate, and if your interest rate may change, the next date it is scheduled to change.
    - Any "prepayment penalty" that may be charged if you pay off your loan early.
    - General contact information for your servicer.
    - The designated address, if the servicer has established one, for mailing written requests for information about your loan or to report an error that your servicer has made.
    - How to contact a housing counselor for help.

- Delinquency Information
    - If you are more than 45 days behind on your payments, you will be informed of certain delinquency information. This includes:
        - The date you became delinquent.
        - Your account history for the past six months or the period since the last time your account was current, whichever is shorter.
        - How much to pay to bring your account current.
        - The possible risks and costs you could face, such as foreclosure, if you do not bring your payments up to date.
        - Information about housing counseling.
        - Information about any options to avoid foreclosure that you have agreed to, if applicable.
        - A notice whether the servicer has started the foreclosure process.

If you have a fixed-rate loan, in place of monthly statements your servicer may provide you a book of coupons to send in with your payments. The coupon book must also contain certain information about your account and about how to contact the servicer. If you are 45 days behind on your payments, the servicer must send you a written notice including the notice of delinquency information listed above.

9.3 Servicing information and errors

If you have a question any time during the life of your loan, or if you believe your servicer has made an error, you can send the company a written request for information or notice of an error, as explained below. The company is required to respond to you. For more information and sample letters to your mortgage servicer, go to consumerfinance.gov/mortgage.

9.3.1 Payoff statements

You can find out how much you would need to pay to fully pay off your loan by sending a written request for this information to your servicer. This is called a request for a payoff statement. In most cases the servicer has to send you a payoff statement within seven business days of receiving your request.

9.3.2 Requests for information

If you need information about your loan, you can send your servicer a written request for information that states your name, identifies your mortgage loan, and says what information you need with respect to your mortgage loan. Your request should be a separate letter and should not be written on or mailed with your payment coupon or other payment form supplied by your servicer. If the servicer gave you an address to use for information requests, you must use that address; this could be different than the address where you send your payments. The servicer must send you a written acknowledgement within five business days of getting your information request. For most requests, within 30 business days your servicer must investigate and respond to you. Your servicer must respond within 10 business days if your request was for contact information about the owner of your loan.

9.3.3 Resolving errors your servicer has made

If you believe your servicer has made an error, you should send your servicer a written notice that states your name, identifies your mortgage loan, and describes the error you believe your servicer has made. Examples of errors include when the servicer does not apply your payment correctly, charges improper fees, gives you inaccurate information about foreclosure avoidance options, starts a foreclosure or foreclosure sale in violation of the loss mitigation rules, or makes an error relating to the servicing of your mortgage loan.

Your error notice should be a separate letter and should not be written on or mailed with a payment coupon or other payment form supplied by your servicer. If the servicer gave you an address to use for error notices, you must use that address; this could be different than the address where you send your payments. The servicer must send you a written acknowledgement within five business days of getting your letter. For most errors, within 30 business days the servicer must investigate and make appropriate corrections or let you know there were no errors and how you can get more information. The servicer must respond within seven business days if the error you wrote about is that the servicer failed to provide you with a payoff statement.

Your servicer is not allowed to charge you a fee for responding to requests for information or for correcting errors unless your request is for a beneficiary notice (if a fee is permitted under applicable law).

9.4 Consumer protections

Federal law provides you with certain consumer protections during the loan process and during the servicing of your loan after settlement. For example, protections apply in circumstances that include the following:

- your lender charged you more than the allowable tolerances at settlement and failed to reimburse you;
- one of your settlement service providers paid or received a fee or kickback for referring business to someone;
- you were required to use a company that was affiliated with your real estate agent, builder, or loan originator;
- your loan servicer fails to timely pay your taxes and insurance premiums;
- your loan servicer does not respond to a request for information or a notice of error that you sent to your servicer;
- your loan servicer charged you for insurance you don't need or over-charged you for force-placed insurance.

If any of these occurred, or you have other concerns related to your mortgage, see the More information and Contact information appendices for contact information for the CFPB and other federal agencies, and information about the CFPB's complaint process.

9.5 Avoiding foreclosure

Once you move into your new home, you will want to make sure that you do nothing that could result in the loss of your home. Make all payments on time. If you are having a dispute with the servicer, do not stop making your full payment each month. Consider carefully before putting another mortgage or lien on your home.

If you do not make your monthly mortgage payments, you will be in default on your loan. If you are in default for a period of time, you could face foreclosure. Foreclosure is a legal process in which a mortgaged property is sold to pay off the defaulted loan. If you find yourself having trouble making your mortage payments, or knowing you will soon have trouble making your payments, there are steps that you should take. Contact your servicer, and tell your servicer you are interested in a loan workout. Be prepared to provide financial information. There may be a workout plan available to help you keep your home.

Even if you do not contact your servicer, your servicer is required to make good faith efforts to contact you, not later than when you are 36 days late on all or part of your mortgage payment. The purpose of this contact is to let you know that you are late in your payments, learn something about your circumstances, and, if appropriate, help you find out if there is a way to save your home. Take the calls from your servicer to see if you can get help. There are also HUD-approved housing counseling agencies that can provide you information on and assistance in avoiding foreclosure. You can look for housing counseling agencies in your area on the CFPB's website at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287. You can also find information about avoiding foreclosure on the CFPB's website consumerfinance.gov/askcfpb under mortgages and foreclosure prevention. HUD's website provides homeowners with information about avoiding foreclosure, which can be found at hud.gov/foreclosure.

Beware of scams! Watch out for equity skimming when a buyer offers to repay the mortgage or sell the property if you sign over the deed and move out. Be aware that there are phony counseling agencies that charge you a fee for the same services you can usually receive at no charge. Be sure to use only HUD-approved counseling agencies. Most importantly, NEVER sign anything that you have not read or do not understand. For more information, go to consumerfinance.gov/blog/consumer-advisory-foreclosure-help-is-free-and-scams-are-expensive.

10. Home equity and refinances

10.1 Home equity loan/line of credit

As you make payments on your mortgage loan or make improvements to your property, or if property values in your neighborhood increase, the equity in your home may increase. Home equity is the difference between your home's fair market value and the outstanding balances of all the loans and other liens on your property.

If you have equity in your property, you may be able to use it as collateral for a home equity loan or a home equity line of credit, often called a HELOC.

A closed-end home equity loan is for a fixed amount of money that you receive at closing. You will not be able to borrow additional money under the terms of this type of loan. An open-end home equity loan has a credit line set by the lender. With this loan you can choose when and how often to borrow money up to your credit limit.

10.2 Is a home equity loan/line of credit right for you?

You may want to make home improvements to increase the value of your home, or you may decide to consolidate your debts by paying off high-interest credit cards. Maybe you have unexpected medical bills or need funds to pay for school expenses. A home equity loan can be a convenient way to get money for these situations; however, before you get a home equity loan, there are things that you should carefully consider. Remember that a home equity loan creates another lien against your home and reduces the equity that you have built up. You could risk losing your home if you do not plan wisely.

Ask as many questions as you asked when you were looking for your home loan. The decision to get a home equity loan or line of credit should be made wisely. Make sure you can afford the loan. Have a solid financial plan and set up a budget, so you can be confident that you can make the additional monthly payment while still meeting your other financial obligations. You worked hard to get your home, so don't risk losing it!

Additional assistance and guidance can be found in "What you should know about home equity lines of credit" available from the CFPB at consumerfinance.gov/f/201204_CFPB_ HELOC-brochure.pdf. You can also contact the CFPB at the website address and phone number provided in the More information and Contact information appendices at the end of this booklet for additional information and assistance.

10.3 Refinancing: should you consider refinancing?

Refinancing is paying off one loan by obtaining another and is usually done to secure better loan terms such as a lower interest rate. You might also want to refinance for the same reasons you may have considered a home equity loan or line of credit -- to get cash from the equity that you have built up in your home for such things as home improvements, paying off other debts, major purchases, starting a business, or education costs, etc.

You should carefully consider the terms of a refinance as well as the long-term impact on your financial situation. You should shop as carefully for your refinance loan as you did when you bought your home. Refinancing can deplete the equity you have built up if you take out the equity in your home in cash, and it can negatively affect your ability to pay your loan if you do not closely review the terms of your new loan. Consider the same issues that you addressed when you first applied for your home loan that have been discussed throughout this booklet.

On the positive side, if you shop carefully for your refinance, you could lower your monthly payments by getting a lower interest rate. Be wary of unsolicited refinancing offers that you may get in the mail or through e-mail. Although not all of these offers are deceptive, there are many unscrupulous loan originators who use the offers to find unsuspecting home owners. Some of these unscrupulous loan originators will even use the HUD and FHA logos in an attempt to make their solicitations appear legitimate. If you have any doubts about whether a communication has actually been sent by HUD, use the contact information in Appendix C to contact HUD.

11. Additional protections

There are several other federal laws that provide you with protections during the home buying process. These include the Equal Credit Opportunity Act and the Fair Housing Act, which prohibit discrimination; the Fair Credit Reporting Act, which provides you with the right to certain credit information; and the Home Ownership and Equity Protection Act of 1994, which establishes requirements for certain loans with high rates and fees.

11.1 No discrimination

The Equal Credit Opportunity Act (ECOA) prohibits creditors from discriminating against credit applicants in any aspect of a credit transactions on the basis of race, color, religion, national origin, sex or marital status, or age; the fact that all or part of the applicant's income comes from any public assistance program; or the fact that the applicant has in good faith exercised any right under certain federal consumer credit protection laws. The ECOA applies to credit transactions involving residential property, but also extends to certain other credit transactions, such as credit cards and auto lending.

The Fair Housing Act prohibits housing discrimination because of race, color, religion, sex, disability, familial status, or national origin. This prohibition applies, among other things, to the sale of a home to you, the making of loans for purchasing, constructing, improving, repairing or maintaining a dwelling, and the brokering and appraising of residential real estate.

If you feel you have been discriminated against by a lender or anyone else in the home buying process in violation of the ECOA or the Fair Housing Act, you may contact a federal regulatory agency to submit a complaint. See the More information and Contact information appendices for information about how to submit a complaint to the CFPB, HUD, or another federal agency.

- You can file complaints of violations of the Fair Housing Act with HUD. Following an investigation, if HUD determines that there is a reasonable cause to believe that your rights under the Fair Housing Act have been violated, it can issue a Charge of Discrimination on your behalf that will be adjudicated in administrative proceedings or in federal court.

- You can submit a complaint to the CFPB. The CFPB will forward your complaint to the lender and work to get a response. Lenders have 15 days to respond to you and the CFPB. You can review the lender's response and give feedback to the CFPB. But if the CFPB determines that another agency would be better able to assist you, the CFPB will instead forward your complaint to that agency and let you know. You may also be able to file a complaint with an appropriate state agency under the state's equal credit opportunity laws.
- If your lender is supervised by a federal banking agency, you may also be able to file a complaint with that agency. Your lender should be able to tell you if it is supervised by a federal banking agency and if so, which one. If your lender is a credit union, ask your lender whether it is supervised by the National Credit Union Administration (NCUA). Contact information for the federal banking agencies and the NCUA can be found in the Contact information appendix of this booklet.
- You may also be able to file a private legal action or take other appropriate action if you are the victim of discrimination. You may wish to consult with an attorney to understand your rights.

11.2 Prompt action/notification of action taken

Your lender or mortgage broker must act on your loan application and inform you of the action taken no later than 30 days after it receives your completed application. Your loan application will not be considered complete, and the 30-day period will not begin, until you provide to your lender or mortgage broker all of the material and information requested.

11.3 Statement of reasons for denial

If your loan application is denied, ECOA requires your lender to make sure you receive a statement of the specific reasons why it denied your application or tell you how you can obtain such a statement. The notice should also tell you which federal agency regulates the lender that denied your application so you can contact the agency if you believe it has illegally discriminated against you.

11.4 Obtaining your credit report

The Fair Credit Reporting Act (FCRA) requires a lender or mortgage broker that denies your loan application to tell you whether it based its decision on information contained in your credit report. If that information was a reason for the denial, the notice will tell you where you can get a free copy of the credit report. You have the right to dispute the accuracy or completeness of any information in your credit report. If you dispute any information, the credit reporting agency that prepared the report must investigate free of charge and notify you of the results of the investigation.

11.5 Obtaining your appraisal

The lender needs to know if the value of your home is enough to secure the loan. To get this information, the lender typically hires an appraiser, who gives a professional opinion about the value of your home. ECOA requires your lender to tell you about your right to receive a free copy of all appraisal reports or other valuations developed in connection with your application. Your lender generally has to provide you with the copies of the appraisals and valuations at least three days before your loan closes. Consumers who are obtaining certain higher priced mortgages must also receive a copy of a full interior appraisal.

11.6 HOEPA

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees. You can find out more information by contacting the CFPB at the website address and phone number listed in the More information and Contact information appendices below.

APPENDIX A:

Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

DEFINED TERM	
APPRAISER	One who is trained and educated in the methods of determining the value of property (appraised value). You will pay a fee for an appraisal report containing an opinion as to the value of your property and the reasoning leading to this opinion.
CREDIT REPORT FEE	This fee covers the cost of a credit report which shows your credit history. The lender uses the information in a credit report to assess your credit worthiness.
DEFAULT	The inability to pay monthly mortgage payments in a timely manner or to otherwise meet the mortgage terms.
DELINQUENCY	Failure of a borrower to make timely mortgage payments under a loan agreement.
DOWN PAYMENT	The portion of a home’s purchase price that is paid in cash and is not part of the mortgage loan.
EARNEST MONEY DEPOSIT	Money you will put down to show that you are serious about purchasing the home. It often becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or may be forfeited if you do not follow through with the deal.

ESCROW ACCOUNT	An impound account in which a portion of your monthly mortgage payment is deposited to cover annual charges for homeowner's insurance, mortgage insurance (if applicable), and property taxes.
ESCROW AGENT	A person or entity holding documents and funds in a transfer of real property, acting for both parties pursuant to instructions. Typically the agent is a person (often an attorney), escrow company, or title company, depending on local practices.
FLOOD CERTIFICATION FEE	A fee for the assessment of your property to determine if it is located in a flood prone area.
FORECLOSURE	A legal process in which mortgaged property is sold to pay the loan of the defaulting borrower.
GOOD FAITH ESTIMATE (GFE)	An estimate of the settlement charges you are likely to incur; it also contains other information about the loan.
GOVERNMENT RECORDING AND TRANSFER CHARGE	Fees for legally recording your deed and mortgage. These fees may be paid by you or by the seller depending upon the terms of the sales agreement.
HOME INSPECTION	An inspection of the mechanical, electrical, and structural aspects of your home. You will pay a fee for this inspection, and the inspector will provide you a written report evaluating the condition of the home.
HOMEOWNER'S INSURANCE OR HOME HAZARD INSURANCE	An insurance policy that protects your home and your possessions inside from serious loss, such as theft or fire. This insurance is usually required by all lenders to protect their investment and must be obtained before closing on your loan.
HUD-1 SETTLEMENT STATEMENT	A statement that itemizes the services provided to you and the fees charged for those services. This form is filled out by the person who will conduct the settlement. You can ask to see your settlement statement at least one day prior to your settlement.
INTEREST	A fee charged by the lender for the use of its money.
INTEREST RATE	The charge by the lender for borrowing money expressed as a percentage.

LENDER INSPECTION FEES	This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector.
LOAN TO VALUE (LTV) RATIO	A percentage calculated by dividing the amount to be borrowed by the price or appraised value of the home to be purchased (whichever is less). The loan to value ratio is used to qualify borrowers for a mortgage, and the higher the LTV, the tighter the qualification guidelines for certain mortgage programs become. Low loan to value ratios are considered below 80 percent, and carry lower rates since borrowers are lower risk.
MORTGAGE	The transfer of an interest in property to a lender as a security for a debt. This interest may be transferred with a Deed of Trust in some states.
ORIGINATION FEE	A fee charged to the borrower by the loan originator for making a mortgage loan.
ORIGINATION SERVICES	Any service involved in the creation of a mortgage loan, including but not limited to the taking of the loan application, loan processing, and the underwriting and funding of loan, and the processing and administrative services required to perform these functions.
PAYMENT SHOCK	A scenario in which monthly mortgage payments on an adjustable-rate mortgage (ARM) rise so high that the borrower may not be able to afford the payments.
PITI: PRINCIPAL, INTEREST, TAXES, AND INSURANCE	The four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance goes into an escrow account to cover the fees when they are due.
PEST INSPECTION	An inspection for termites or other pest infestations of your home. This inspection is frequently required by your lender.
POINT(S)	Amount of money paid to reduce the interest rate on a loan. A point is usually equal to 1 percent of the loan amount.

PRE-PAID ITEMS	Lenders often require the prepayment of items such as insurance premiums for private mortgage insurance, homeowner's insurance, and real estate taxes.
PREPAYMENT PENALTY	A fee charged if the mortgage loan is paid (in whole or in part) before the scheduled due date.
PRIVATE MORTGAGE INSURANCE (PMI)	Insurance that protects your lender if you default on your loan. With conventional loans, mortgage insurance is usually required if you do not make a down payment of at least 20 percent of your home's appraised value. Your lender may require payment of your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan in advance at settlement. The same insurance protection on an FHA (Federal Housing Administration) loan is called Mortgage Insurance Premium (MIP).
RECORDING AND TRANSFER CHARGES	These charges include fees paid to the local government for filing official records of a real-estate transaction.
SALES AGREEMENT	The contract signed by a buyer and the seller stating the terms and conditions under which a property will be sold. It may also be called an "Agreement of Sale" or "Purchase Contract."
SETTLEMENT	The time at which the property is formally sold and transferred from the seller to the buyer. It is at this time that the borrower takes on the loan obligation, pays all closing costs and receives title from the seller.
SETTLEMENT/CLOSING AGENT	In some states, a settlement agent, or closing agent, handles the real estate transaction when you buy or sell a home. It may also be an attorney or a title agent. He or she oversees all legal documents, fee payments, and other details of transferring the property to ensure that the conditions of the contract have been met and appropriate real estate taxes have been paid.
SETTLEMENT COSTS/CLOSING COSTS	The customary costs above and beyond the sales price of the property that must be paid to cover the transfer of ownership at closing; these costs generally vary by geographic location and are typically detailed to the borrower at the time the GFE is given.

SURVEY FEE	A fee for obtaining a drawing of your property showing the location of the lot, any structures, and any encroachments. The survey fee is usually paid by the borrower.
TITLE SERVICE FEES	Title service fees include charges for title search and title insurance if required. This fee also includes the services of a title or settlement agent.
TITLE INSURANCE	Insurance that protects your lender against any title dispute that may arise over your property. Through a title search, the lender verifies who the actual property owners are and whether the property is free of liens. The title search company then issues title insurance which protects the title of the property against any unpaid mortgages and judgments. In case a claim is made against the property, the title insurance provides legal protection and pays for court fees and related costs. You may also purchase owner's title insurance which protects you as the homeowner.
TAX CERTIFICATE	Official proof of payment of taxes due provided at the time of transfer of property title by the state or local government.
TAX SERVICE FEE	This fee covers the cost of your lender engaging a third party to monitor and handle the payment of your property tax bills. This is done to ensure that your tax payments are made on time and to prevent tax liens from occurring.
TOLERANCE CATEGORY	The maximum amount by which the charges for a category or categories of settlement cost may exceed the amount of the estimate for such category or categories on a Good Faith Estimate. When the originator selects and identifies the provider of services, these charges may only increase 10 percent in the aggregate. If the borrower selects a provider that is not on the written list provided by the loan originator, the lender is not subject to any tolerance restrictions for that service.

APPENDIX B:

More information

For more information about mortgages, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's website at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-CFPB (2372). When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get you a response from them. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB. If the CFPB determines that another agency would be better able to assist you, the CFPB will instead refer your complaint to that agency and let you know.

APPENDIX C:

Contact information

Consumer Financial Protection Bureau
1700 G Street, NW
Washington DC 20552
1-855-411-CFPB (2372)
consumerfinance.gov
consumerfinance.gov/mortgage
consumerfinance.gov/askcfpb
consumerfinance.gov/learnmore (booklet)

To submit a complaint:
consumerfinance.gov/complaint

U.S. Department of Housing and Urban Development (HUD)
451 7th Street, SW Washington DC 20410
202-708-1112
hud.gov

HUD Foreclosure Prevention Information
hud.gov/foreclosure

Buying a HUD Home
hud.gov/offices/hsg/sfh/reo/reobuyfaq.cfm

Federal Housing Administration (FHA) Resource Center
1-800-CALL FHA (800-225-5342)
hud.gov/offices/hsg/sfh/fharesourcectr.cfm

Housing Counselors

Tool to find HUD-approved housing counselors in your area (CFPB):
consumerfinance.gov/find-a-housing-counselor

1-800-569-4287 (interactive system) (HUD)
hud.gov/offices/hsg/sfh/hcc/hcs.cfm

List of nationwide HUD-approved counseling intermediaries:
portal.hud.gov/hudportal/HUD?src=/ohc_nint
(List of nationwide HUD-approved counseling intermediaries)

For any questions, you can call the CFPB at 1-855-411-CFPB (2372)

Housing Discrimination

U.S. Department of Housing and Urban Development
(See HUD address above)
800-669-9777
TDD 800-927-9275
portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp

To file a housing discrimination complaint:
portal.hud.gov/hudportal/HUD?src=/topics/housing_discrimination

Housing or Other Credit Discrimination

Consumer Financial Protection Bureau
(855) 411-CFPB (2372)
TTY/TDD (855) 729-CFPB (2372)
8 a.m. – 8 p.m. Eastern, Monday-Friday
180+ languages available

To submit a complaint if you believe you have been the victim of discrimination in connection with your mortgage or other credit transaction:
consumerfinance.gov/complaint

Federal regulatory agencies for federally-regulated banks and credit unions

Office of the Comptroller of Currency (OCC)
(national banks and federally chartered savings banks/associations)

Customer Assistance Group
1-800-613-6743
TDD: 713-658-0340
7 a.m. – 7 p.m. CST, Monday-Friday
To file a complaint with the OCC:
appsec.helpwithmybank.gov/olcc_form

Board of Governors of the Federal Reserve System (FRB)
(federally insured state-chartered bank members of the Federal Reserve System)

Division of Consumer and Community Affairs
20th and Constitution Avenue, NW
Mail Stop 801
Washington DC 20551
Federal Reserve Consumer Help
888-851-1920
TTY: 877-766-8533
8 a.m. – 6 p.m. CST
federalreserveconsumerhelp.gov

To file a complaint with the FRB:
federalreserveconsumerhelp.gov/complaint/formcomplaint.cfm

Federal Deposit Insurance Corporation (FDIC)
(federally insured state-chartered banks that are not members of the Federal Reserve System)

1-877-ASK-FDIC (1-877-275-3342)
Hearing Impaired Line: 1-800-925-4618
8 a.m. – 8 p.m., Monday-Friday
To file a complaint with the FDIC:
www2.fdic.gov/starsmail/index.asp

National Credit Union Administration (NCUA)
(federally chartered credit unions)

Office of Consumer Protection
800-755-1030
To file a complaint with the NCUA:
mycreditunion.gov/help/Pages/Submit-Your-Complaint.aspx

Foreclosure Prevention Toolkit

Federal Deposit Insurance Corporation
1730 Pennsylvania Avenue, NW
7th Floor
Washington DC 20429
877-ASKFDIC (275-3342)
TTYP (800)-925-4618
fdic.gov/consumers/loans/prevention/toolkit.html

VA-Guaranteed Loans

Department of Veterans Affairs Consumer Affairs Service
810 Vermont Avenue, NW
Washington DC 20420
800-827-1000
va.gov

Rural Housing Loan Programs

Department of Agriculture
Rural Development/Rural Housing Services
Mail Stop MC-0701
1400 Independence Avenue, SW Washington DC 20250
800-670-6553
rurdev.usda.gov

APPENDIX D:

Types of mortgage loan products

TYPE OF MORTGAGE LOAN	
ADJUSTABLE-RATE MORTGAGE (ARM)	A mortgage loan or deed of trust which allows the lender to periodically adjust the interest rate in accordance with a specified index.
BALLOON MORTGAGE	A balloon payment is due on a mortgage that usually offers a low monthly payment for an initial period of time. After that period of time elapses, the balance must be paid by the borrower or the amount must be refinanced. The large sum payable at the end of the loan term is called the “balloon payment.”
CONSTRUCTION LOAN	A short-term, interim loan for financing the cost of construction; the lender advances funds to the builder at periodic intervals as work progresses.
CONVENTIONAL LOAN	A private sector loan which is not guaranteed or insured by the U.S. government.
FIXED-RATE MORTGAGE	A mortgage with an interest rate that does not change over the life of the loan, and as a result, monthly payments for principal and interest do not change.

HYBRID ARMS	These loans are a mix or a hybrid of a fixed-rate period and an adjustable-rate period. For example, a 3/1 ARM will have a fixed interest rate for the first three years and then will adjust annually until the loan is paid off. The first number tells you how long the fixed interest-rate period will be and the second number tells you how often it will adjust after the initial period.
INTEREST-ONLY ARMS	An interest-only (I-O) ARM payment plan allows you to pay only the interest for a specific number of years, typically between three and 10 years. This allows you to have smaller payments for a period of time. After that, your monthly payments will increase, even if the interest rate stays the same, because you must start paying back the principal as well as the interest each month.

APPENDIX E:

Worksheet: Determining what you can afford

Use the worksheet below to calculate your monthly income and expenses to determine the amount you have left over every month to pay for house related expenses such as your monthly loan payment, property taxes and homeowner's insurance. You can also find a mortgage calculator online, such as mortgagecalculator.org.

Income (what you take home after taxes and other deductions)	Monthly amount
Borrower salary	$
Co-borrower salary	$
Other income	$
Income total	**$**
Expenses	Monthly amount
Credit cards	$
Car payment	$
Car insurance	$
Health insurance	$
Savings and retirement	$
Medical expenses	$
Child support and alimony	$

Tuition	$
Utilities	$
Entertainment	$
Other expenses	$
Expenses total	**$**
Total monthly income	**$**
Subtract total monthly expenses	**$**
Amount left over each month	**$**

APPENDIX F:

HUD-1 Settlement Statement

A copy of the HUD-1 Settlement Statement is provided for your reference, beginning on the next page. The HUD-1 Settlement Statement is available for download at hud.gov/offices/adm/hudclips/forms/files/1.pdf.

OMB Approval No. 2502-0265

A. Settlement Statement (HUD-1)

B. Type of Loan

1. ☐ FHA 2. ☐ RHS 3. ☐ Conv. Unins. 4. ☐ VA 5. ☐ Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller:	F. Name & Address of Lender:
G. Property Location:	H. Settlement Agent:	I. Settlement Date:
	Place of Settlement:	

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. Gross Amount Due from Borrower	
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	( )
303. Cash ☐ **From** ☐ **To Borrower**	

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. Gross Amount Due to Seller	
500. Reductions In Amount Due to seller	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	
602. Less reductions in amounts due seller (line 520)	( )
603. Cash ☐ **To** ☐ **From Seller**	

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

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L. Settlement Charges		
700. Total Real Estate Broker Fees	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :		
701. $ to		
702. $ to		
703. Commission paid at settlement		
704.		
800. Items Payable in Connection with Loan		
801. Our origination charge $ (from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen $ (from GFE #2)		
803. Your adjusted origination charges (from GFE #A)		
804. Appraisal fee to (from GFE #3)		
805. Credit report to (from GFE #3)		
806. Tax service to (from GFE #3)		
807. Flood certification to (from GFE #3)		
808.		
809.		
810.		
811.		
900. Items Required by Lender to be Paid in Advance		
901. Daily interest charges from to @ $ /day (from GFE #10)		
902. Mortgage insurance premium for months to (from GFE #3)		
903. Homeowner's insurance for years to (from GFE #11)		
904.		
1000. Reserves Deposited with Lender		
1001. Initial deposit for your escrow account (from GFE #9)		
1002. Homeowner's insurance months @ $ per month $		
1003. Mortgage insurance months @ $ per month $		
1004. Property Taxes months @ $ per month $		
1005. months @ $ per month $		
1006. months @ $ per month $		
1007. Aggregate Adjustment -$		
1100. Title Charges		
1101. Title services and lender's title insurance (from GFE #4)		
1102. Settlement or closing fee $		
1103. Owner's title insurance (from GFE #5)		
1104. Lender's title insurance $		
1105. Lender's title policy limit $		
1106. Owner's title policy limit $		
1107. Agent's portion of the total title insurance premium to $		
1108. Underwriter's portion of the total title insurance premium to $		
1109.		
1110.		
1111.		
1200. Government Recording and Transfer Charges		
1201. Government recording charges (from GFE #7)		
1202. Deed $ Mortgage $ Release $		
1203. Transfer taxes (from GFE #8)		
1204. City/County tax/stamps Deed $ Mortgage $		
1205. State tax/stamps Deed $ Mortgage $		
1206.		
1300. Additional Settlement Charges		
1301. Required services that you can shop for (from GFE #6)		
1302. $		
1303. $		
1304.		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		

Comparison of Good Faith Estimate (GFE) and HUD-1 Charrges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	**HUD-1 Line Number**		
Our origination charge	# 801		
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	# 1203		

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	Total		
	Increase between GFE and HUD-1 Charges	**$ or**	**%**

Charges That Can Change			Good Faith Estimate	HUD-1
Initial deposit for your escrow account		# 1001		
Daily interest charges	$ /day	# 901		
Homeowner's insurance		# 903		
		#		
		#		
		#		

Loan Terms

Your initial loan amount is	$
Your loan term is	years
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ includes ☐ Principal ☐ Interest ☐ Mortgage Insurance
Can your interest rate rise?	☐ No ☐ Yes, it can rise to a maximum of %. The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by %. Over the life of the loan, your interest rate is guaranteed to never be **lower** than % or **higher** than %.
Even if you make payments on time, can your loan balance rise?	☐ No ☐ Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	☐ No ☐ Yes, the first increase can be on and the monthly amount owed can rise to $. The maximum it can ever rise to is $.
Does your loan have a prepayment penalty?	☐ No ☐ Yes, your maximum prepayment penalty is $
Does your loan have a balloon payment?	☐ No ☐ Yes, you have a balloon payment of $ due in years on .
Total monthly amount owed including escrow account payments	☐ You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. ☐ You have an additional monthly escrow payment of $ that results in a total initial monthly amount owed of $. This includes principal, interest, any mortagage insurance and any items checked below: ☐ Property taxes ☐ Homeowner's insurance ☐ Flood insurance ☐ ☐ ☐

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

APPENDIX G:

The do list/the don't list

The do list

- Shop for your loan.
- Interview real estate agents, mortgage brokers, lenders and other settlement service providers to find the best professionals for your loan and settlement needs.
- Be sure to read and understand everything before you sign anything.
- Accurately report your debts.
- Be honest about all sources of funds you will use to purchase your home.
- Be upfront about any credit problems you have or have had in the past.
- Be wary of unsolicited loan or refinance offers that you receive in the mail or through email.
- Always pay your mortgage payment on time, even if you are having a dispute with your loan servicer.
- If you need information about your mortgage, notice an error, or are having problems paying your mortgage, contact your loan servicer immediately.

The don't list

- Do not sign blank documents.
- Do not overstate your income.
- Do not overstate your length of employment.
- Do not overstate your assets.

- Do not change your income tax returns.
- Do not list fake co-borrowers on your loan application.
- Do not provide false documentation or permit someone to provide false documents about you.