



NODAWAY VALLEY BANK

Adjustable Rate Home Loan Application Disclosure Packet

Thank you for your interest in applying for a home loan with Nodaway Valley Bank. The following information is usually required during the loan process. Please note that this supporting information is not required to be provided at the same time you provide your loan application.

- Copies of paystubs for the past 30 days for each borrower.
- Copies of W2 and/or 1099s forms for the previous 2 years for each borrower.
- Copies of last 2 years completed Personal and Business Federal Income Tax returns (if applicable) with all schedules included, YTD P&L Statement and Balance Sheet.
- Proof of additional income (Awards letters, lease agreements, etc.)
- Copies of bank/asset statements for the previous 2 months, and a copy of most recent 401k statement, or any additional investment accounts.
- Provide a copy of each applicants valid, unexpired Driver's License or state issued identification.
- Copy of signed "Contract to Purchase" with a copy of the earnest money check.
- Copy of signed sales contract when current home is being sold. HUD settlement statement when available.
- Complete copy of all divorce decrees and/or separation agreements along with all amendments.
- Bankruptcy Petition decree, schedule of creditors, and discharge of bankruptcy with letter of explanation.
- For Refinance Transactions:
 - Copy of Last 3 Months Mortgage Statement
 - Copy of Proof of Homeowners insurance
 - Copy of Paid Real Estate Taxes

Please contact one of our loan officers if you have any questions.



Lenders

NMLS Identification Numbers

Maryville

| | |
|----------------|---------|
| Randy Luke | 500774 |
| Brian Schieber | 500812 |
| Tom Shelton | 1452421 |
| Clint Tobin | 500883 |
| Ben Shifflett | 2181022 |
| Trent Nally | 2348355 |
| Nathan Luke | 1774327 |

Mound City

| | |
|------------|---------|
| Mark Quick | 1007024 |
|------------|---------|

Platte City

| | |
|-----------------|--------|
| Kelly Parkhurst | 405346 |
|-----------------|--------|

Smithville

| | |
|----------------|--------|
| Travis Boyer | 405358 |
| Keri Rotterman | 405344 |

Northland Lending Office

| | |
|--------------|--------|
| Marvin Davis | 446030 |
| Ryan Lorentz | 657446 |

St. Joseph - Riverside

| | |
|---------------|---------|
| David Lewis | 539567 |
| Lisa Little | 609274 |
| Brett Steiner | 1875197 |
| Craig Lewis | 2141866 |

St. Joseph - Cook Road

| | |
|---------------|---------|
| Carol Barnett | 539630 |
| Seann O'Riley | 483022 |
| John Thompson | 1274408 |

St. Joseph - Faraon

| | |
|----------------|---------|
| Rodger Karn | 483222 |
| Jason Swofford | 1511178 |

St. Joseph - King Hill

| | |
|-------------|---------|
| Jeff Bird | 539456 |
| Sean Farris | 1381606 |

Savannah

| | |
|---------------|--------|
| Steve Houston | 501056 |
|---------------|--------|

For more information please call us at any of the numbers listed below.

MARYVILLE (660) 562-3232 • ST JOSEPH (816) 364-5678 • PLATTE CITY (816) 597-5300
SMITHVILLE (816) 873-2929 • SAVANNAH (816) 324-3158 • MOUND CITY (660) 442-3131
NORTHLAND LENDING OFFICE (816) 407-8682 • TOLL FREE (877) 217-4682

05/25



NODAWAY VALLEY BANK

ECOA Valuations Rule Right to Receive Copy of Appraisal

To determine the property's value, we may order an appraisal at your expense. We will promptly provide a copy of any appraisal, even if the loan does not close. You may order and pay for another appraisal for your own use.

ECOA Valuations Rule applies to closed-end or open-end credit secured by a first lien on a dwelling.

Maryville, MO 64468
660-562-3232

Mound City, MO
660-442-3131

Savannah, MO
816-324-3158

Smithville, MO
816-873-2929

Platte City, MO
816-597-5300

St. Joseph, MO 64507
816-364-5678

www.nvb.com



NODAWAY VALLEY BANK

Rev. April 2016

FACTS WHAT DOES NODAWAY VALLEY BANK 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? | <p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <div><div><ul style="list-style-type: none">● Social Security number● Account balances● Payment history</div><div><ul style="list-style-type: none">● Transaction history● Credit history● Account transactions</div></div> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p> | | |
| 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 Nodaway Valley Bank chooses to share; and whether you can limit this sharing. | | |
| Reasons we can share your personal information | | Does Nodaway Valley Bank 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 | | No | We don't share |
| For joint marketing with other financial companies | | Yes | No |
| 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 toll-free 1-877-217-4682 or go to www.nvb.com | | |

| What We Do | |
|--|---|
| How does Nodaway Valley Bank protect my personal information? | <p>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.</p> <p>We maintain physical, electronic and procedural safeguards to protect this information and we restrict access to information about you to those employees for whom access is appropriate.</p> |
| How does Nodaway Valley Bank collect my personal information? | <p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ● Open an account ● Pay your bills ● Apply for a loan ● Use your credit or debit card ● Make deposits or withdrawals from your account <p>We also collect your personal information from others, such as credit bureaus or other companies.</p> |
| Why can't I limit all sharing? | <p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ● 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 <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.</p> |
| Definitions | |
| Affiliates | <p>Companies related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> ● <i>Nodaway Valley Bank does not share with our affiliates.</i> |
| Nonaffiliates | <p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> ● <i>Nodaway Valley Bank does not share with nonaffiliates so they can market to you.</i> |
| Joint Marketing | <p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ● <i>Our joint marketing partners include credit card companies.</i> |
| Other Important Information | |
| <p>For Alaska, Illinois, Maryland and North Dakota Customers. We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization.</p> <p>For California Customers. We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization. We will also limit our sharing of personal information about you with our affiliates to comply with all California privacy laws that apply to us.</p> <p>For Massachusetts, Mississippi and New Jersey Customers. We will not share personal information from deposit or share relationships with nonaffiliates either for them to market to you or for joint marketing - without your authorization.</p> <p>For Vermont Customers</p> <ul style="list-style-type: none"> ● We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures. ● Additional information concerning our privacy policies can be found at www.nvb.com or call 1-877-217-4682. | |

3/1 ADJUSTABLE RATE MORTGAGE PROGRAM DISCLOSURE

Nodaway Valley Bank
Belt & Faraon
P. O. Box 7315
402 N. Belt Hwy
Saint Joseph, MO 64506

ADJUSTABLE RATE MORTGAGE ("ARM") IMPORTANT MORTGAGE LOAN INFORMATION -- PLEASE READ CAREFULLY PROGRAM NAME: 3/1 CMT

Origination Co. NMLSR ID: 462864

If you wish to apply for an Adjustable Rate Mortgage loan (referred to in this disclosure as an "ARM") with Nodaway Valley Bank (referred to in this disclosure as "we," "us," "our" or "Lender"), you should read the information below concerning the differences between this ARM program and other mortgage loan programs with which you may be familiar. This disclosure describes the features of the specific ARM that you are considering. Upon your request, we will provide you with information about any other Adjustable Rate Mortgage programs we offer.

GENERAL DESCRIPTION OF AN ADJUSTABLE RATE MORTGAGE LOAN. This loan is an Adjustable Rate Mortgage loan. The applicable interest rate may change from time to time based upon the movements of an interest rate index. This ARM program is based on the terms and conditions set forth in this disclosure and in the loan documents. We have based this disclosure on recent interest rates, index and margin values, and fees. Ask us for our current interest rate and margin.

You should read carefully this disclosure and the promissory note, deed of trust or mortgage, any riders and all other documents that you will be asked to sign if we offer an ARM to you and you accept it. This disclosure is not a contract or a loan commitment. However, the loan documents once signed will be a contract between you and us. The matters discussed in this disclosure are subject to change by us at any time without notice.

HOW YOUR INTEREST RATE IS DETERMINED. Your interest rate will be determined by means of an index that may change from time to time.

The Index. The interest rate charged under this ARM program will be based on an interest rate index (referred to in this disclosure as the "Index"). The Index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. Information about this Index is available in the Wall Street Journal. If the Index is no longer available, we will choose a new index that is based upon comparable information.

Interest Rate. The interest rate is based on the Index value, plus a margin, rounded to the nearest 0.125%. A change in the Index generally will result in a change in the interest rate. The amount that your interest rate may change also may be affected by periodic interest rate change limitations and any minimum or maximum interest rate limits, as discussed below.

Interest Rate Adjustments. Your interest rate under this ARM program can change annually after remaining fixed for 36 months. Your interest rate cannot increase or decrease more than 1.000 percentage point at each adjustment. However, under no circumstances will your interest rate increase more than 6.000 percentage points during the term of your loan. Additionally, the interest rate will not decrease below the margin.

HOW YOUR PAYMENTS ARE DETERMINED. Your monthly payment of principal and interest will be determined based on the interest rate, loan term, and loan balance. If your interest rate changes, your payment will be adjusted to fully amortize the loan by the end of the loan term.

Frequency of Payment Changes. Based on increases or decreases in the Index, payment amounts under this ARM program can change annually after remaining fixed for 36 months.

Payment Example. Your payment may increase or decrease substantially depending on changes in the interest rate. For example, on a \$10,000, 20-year loan with an initial interest rate of 7.875% (the index rate in effect January 2025, plus a margin of 3.750%, rounded to the nearest 0.125%), the maximum amount that the interest rate can rise under this program is 6.000 percentage points to 13.875%, and the monthly payment can rise from an initial payment of \$82.88 to a maximum of \$115.01 in the ninth year.

Note: 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 divided by \$10,000 = 6; 6 X \$82.88 = \$497.28 monthly.)

Adjustment Notice. You will be notified 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 rate, payment amount, and loan balance. You will also be notified at least 60, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustments resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

5/1 ADJUSTABLE RATE MORTGAGE PROGRAM DISCLOSURE

Nodaway Valley Bank
Belt & Faraon
P. O. Box 7315
402 N. Belt Hwy
Saint Joseph, MO 64506

ADJUSTABLE RATE MORTGAGE ("ARM") IMPORTANT MORTGAGE LOAN INFORMATION -- PLEASE READ CAREFULLY PROGRAM NAME: 5/1 CMT

Origination Co. NMLSR ID: 462864

If you wish to apply for an Adjustable Rate Mortgage loan (referred to in this disclosure as an "ARM") with Nodaway Valley Bank (referred to in this disclosure as "we," "us," "our" or "Lender"), you should read the information below concerning the differences between this ARM program and other mortgage loan programs with which you may be familiar. This disclosure describes the features of the specific ARM that you are considering. Upon your request, we will provide you with information about any other Adjustable Rate Mortgage programs we offer.

GENERAL DESCRIPTION OF AN ADJUSTABLE RATE MORTGAGE LOAN. This loan is an Adjustable Rate Mortgage loan. The applicable interest rate may change from time to time based upon the movements of an interest rate index. This ARM program is based on the terms and conditions set forth in this disclosure and in the loan documents. We have based this disclosure on recent interest rates, index and margin values, and fees. Ask us for our current interest rate and margin.

You should read carefully this disclosure and the promissory note, deed of trust or mortgage, any riders and all other documents that you will be asked to sign if we offer an ARM to you and you accept it. This disclosure is not a contract or a loan commitment. However, the loan documents once signed will be a contract between you and us. The matters discussed in this disclosure are subject to change by us at any time without notice.

HOW YOUR INTEREST RATE IS DETERMINED. Your interest rate will be determined by means of an index that may change from time to time.

The Index. The interest rate charged under this ARM program will be based on an interest rate index (referred to in this disclosure as the "Index"). The Index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. Information about this Index is available in the Wall Street Journal. If the Index is no longer available, we will choose a new index that is based upon comparable information.

Interest Rate. The interest rate is based on the Index value, plus a margin, rounded to the nearest 0.125%. A change in the Index generally will result in a change in the interest rate. The amount that your interest rate may change also may be affected by periodic interest rate change limitations and any minimum or maximum interest rate limits, as discussed below.

Interest Rate Adjustments. Your interest rate under this ARM program can change annually after remaining fixed for 60 months. Your interest rate cannot increase or decrease more than 2.000 percentage points at each adjustment. However, under no circumstances will your interest rate increase more than 6.000 percentage points during the term of your loan. Additionally, the interest rate will not decrease below the margin.

HOW YOUR PAYMENTS ARE DETERMINED. Your monthly payment of principal and interest will be determined based on the interest rate, loan term, and loan balance. If your interest rate changes, your payment will be adjusted to fully amortize the loan by the end of the loan term.

Frequency of Payment Changes. Based on increases or decreases in the Index, payment amounts under this ARM program can change annually after remaining fixed for 60 months.

Payment Example. Your payment may increase or decrease substantially depending on changes in the interest rate. For example, on a \$10,000, 20-year loan with an initial interest rate of 7.875% (the index rate in effect January 2025, plus a margin of 3.750%, rounded to the nearest 0.125%), the maximum amount that the interest rate can rise under this program is 6.000 percentage points to 13.875%, and the monthly payment can rise from an initial payment of \$82.88 to a maximum of \$114.02 in the eighth year.

Note: 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 divided by \$10,000 = 6; 6 X \$82.88 = \$497.28 monthly.)

Adjustment Notice. You will be notified 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 rate, payment amount, and loan balance. You will also be notified at least 60, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustments resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

CONSUMER HANDBOOK ON

Adjustable-Rate Mortgages

Find out how
your payment can
change over time



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

When you and your mortgage lender discuss adjustable-rate mortgages (ARMs), you receive a copy of this booklet. When you apply for an ARM loan, you receive a Loan Estimate. You can request and receive multiple Loan Estimates from competing lenders to find your best deal.

You may want to have your Loan Estimate handy for any loan you are considering as you work through this booklet. We reference a sample Loan Estimate throughout the booklet to help you apply the information to your situation.

You can find more information about ARMs at cfpb.gov/about-arms. You'll also find other mortgage-related CFPB resources, facts, and tools to help you take control of the homebuying process.

About the CFPB

The Consumer Financial Protection Bureau regulates the offering and provision of consumer financial products and services under the federal consumer financial laws and educates and empowers consumers to make better informed financial decisions.

This booklet, titled Consumer Handbook on Adjustable Rate Mortgages, was created to comply with federal law pursuant to 12 U.S.C. 2604 and 12 CFR 1026.19(b)(1).

How can this booklet help you?

This booklet can help you decide whether an adjustable-rate mortgage (ARM) is the right choice for you and to help you take control of the homebuying process.

Your lender may have already provided you with a copy of Your Home Loan Toolkit. You can also download the Toolkit from the CFPB's Buying a House guide at cfpb.gov/buy-a-house/.

An ARM is a mortgage with an interest rate that changes, or "adjusts," throughout the loan.

With an ARM, the interest rate and monthly payment may start out low. However, both the rate and the payment can increase very quickly.

Consider an ARM only if you can afford increases in your monthly payment—even to the maximum amount.

After you finish this booklet:

- You'll understand how an ARM works and whether it's the right choice for you. (page 2)
- You'll know how to review important documents when you apply for an ARM. (page 6)
- You'll understand the risks that come with different types of ARMs. (page 18)

Is an ARM right for you?

ARMs come with the risk of higher payments in the future that you might not be able to predict. But in some situations, an ARM might make sense for you. If you are considering an ARM, be sure to understand the tradeoffs.

TIP

Don't count on being able to refinance before your interest rate and monthly payments increase. You might not qualify for refinancing if the value of your home goes down or if something unexpected damages your financial situation, like a job loss or medical costs.

| COMPARE | FIXED-RATE MORTGAGE | ADJUSTABLE-RATE MORTGAGE |
|-------------------------|--|--|
| Consider this option if | <ul style="list-style-type: none">You prefer predictable payments, orYou plan to keep your home for a long period of time | <ul style="list-style-type: none">You are confident you can afford increases in your monthly payment—even to the maximum amount, orYou plan to sell your home within a short period of time |
| Interest rate | <ul style="list-style-type: none">Set when you take out the loanStays the same for the entire loan term | <ul style="list-style-type: none">Based on an index that changesMay start out lower than a fixed rate mortgage but you bear the risk of increases throughout your loan |
| Monthly payment | <ul style="list-style-type: none">Principal and interest payment stays the same over the life of your loanYou know the total you will pay in principal and interest over the life of the loan | <ul style="list-style-type: none">Initial principal and interest payment amount remains in effect for a limited periodYou can't know in advance how much total interest you will pay because your interest rate changesIf you can't afford the increased payments, you may lose your home to foreclosure |

Learn about how ARMs work

As you decide whether to move ahead with an ARM, you should understand how they work and how your housing costs can be affected.

Interest rate = index + margin

The interest rate on an ARM has two parts: the index and the margin.

INDEX

An **index** is a measure of interest rates generally that reflects trends in the overall economy. Different lenders use different indexes for their ARM programs.

Common indexes include the U.S. prime rate and the Constant Maturity Treasury (CMT) rate. Talk with your lender to find out more about the index they use, which is also shown on your Loan Estimate.

MARGIN

The **margin** is an extra percentage that the lender adds to the index.

You can shop around to different lenders to find the lowest combination of the index plus the margin. Your Loan Estimate shows the index and the margin being offered to you.

Changes to initial rate and payment

The *initial* interest rate and *initial* principal and interest payment amount on an ARM remain in effect for a limited period.

So, when you see ARMs advertised as 5/1 or 5/6m ARMs:

- The first number tells you the length of time your initial interest rate lasts.
- The second number tells you how often the rate changes after that.

For example, during the first five years in a 5/6m ARM your rate stays the same. After that, the rate may adjust every six months (the 6m in the 5/6m example) until the loan is paid off. This period between rate changes is called the **adjustment period**. Adjustment periods can vary. Some last a month, a year, or like this example, six months.

For some ARMs, the initial rate and payment can be very different from the rates and payments later in the loan term. Even if the market for interest rates is stable, your rates and payments could change a lot.

Use your Loan Estimate to understand your ARM

When you apply for a mortgage, the lender gives you a document called a **Loan Estimate**. It describes important features of the loan the lender is offering you. This section illustrates the parts of a Loan Estimate that are specific features of ARM loans. An interactive, online version of a Loan Estimate sample is available at: cfpb.gov/arm-explainer/

Loan Terms

Projected Payments

Adjustable Interest Rate (AIR) Table

Product

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY

SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE
LOAN ID #
RATE LOCK

30 years
Purchase
5/1 Adjustable Rate
☒ Conventional ☐ FHA ☐ VA ☐
123456789
☒ NO ☐ YES

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Loan Terms

Can this amount increase after closing?

Loan Amount

\$216,000

NO

Interest Rate

3%

YES

· Adjusts every year starting in year 6

· Can go as high as 8% in year 8

· See AIR Table on page 2 for details

Monthly Principal & Interest
See Projected Payments Below for Your Total Monthly Payment

\$910.66

YES

· Adjusts every year starting in year 6

· Can go as high as \$1,467 in year 8

Prepayment Penalty

NO

Balloon Payment

NO

Projected Payments

| Payment Calculation | Years 1-5 | Years 6 | Years 7 | Years 8-30 |
|--|-----------|--------------------------|--------------------------|--------------------------|
| Principal & Interest | \$910.66 | \$838 min \$1,123 max | \$838 min \$1,350 max | \$838 min \$1,467 max |
| Mortgage Insurance | + 99 | + 99 | + 99 | + — |
| Estimated Escrow <small>Amount can increase over time</small> | + 341 | + 341 | + 341 | + 341 |
| Estimated Total Monthly Payment | \$1,290 | \$1,217 – \$1,502 | \$1,217 – \$1,729 | \$1,179 – \$1,808 |

Estimated Taxes, Insurance & Assessments
Amount can increase over time

\$341 a month

This estimate includes

☒ Property Taxes

☒ Homeowner's Insurance

☐ Other:

See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

In escrow?
YES
YES

Costs at Closing

| | | |
|-------------------------|----------|---|
| Estimated Closing Costs | \$X,XXX | Includes in Loan Costs + in Other Costs – in Lender Credits. See details on page 2. |
| Estimated Cash to Close | \$XX,XXX | Includes Closing Costs. See calculating Cash to Close on page 2 for details. |

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

| Adjustable Interest Rate (AIR) Table | |
|--------------------------------------|------------------------------------|
| Index + Margin | 1 Year Cmt + 2.25% |
| Initial Interest Rate | 3% |
| Minimum/Maximum Interest Rate | 2.25% / 8% |
| Change Frequency | |
| First Change | Beginning of 61st month |
| Subsequent Changes | Every 12 months after first change |
| Limits on Interest Rate Changes | |
| First Change | 2% |
| Subsequent Changes | 2% |

LOAN ESTIMATE PAGE 2 OF 3 • LOAN ID # 123456789

6 ADJUSTABLE-RATE MORTGAGES

USE YOUR LOAN ESTIMATE TO UNDERSTAND YOUR ARM 7

Loan terms

INTEREST RATE

The Loan Estimate shows the *initial* interest rate you pay at the beginning of your loan term. This row also shows how often your rate can change and how high it can go.

MONTHLY PRINCIPAL & INTEREST

The Loan Estimate shows the *initial* monthly principal and interest payment you'll make if you accept this loan. Your **principal** is the money that you originally agreed to pay back on your loan. **Interest** is a cost you pay to borrow the principal. The initial principal and interest payment amount for an ARM is set only for the initial period and may change after that.

THE TALK

You might hear, "An ARM makes sense because you can refinance the loan before your interest rate and monthly payment increase."

Ask yourself, a spouse, or a loved one:

"What if the market value of the home goes down?"

"What if our financial situation or our credit score gets damaged by something unexpected like a job loss or illness?"

"If we can't refinance at a better rate, can we afford the maximum interest rate and payment increase under this loan?"

| Loan Terms | | Can this amount increase after closing? | |
|--|-----------|---|---|
| Loan Amount | \$216,000 | NO | |
| Interest Rate | 3% | YES | <ul style="list-style-type: none">· Adjusts every year starting in year 6· Can go as high as 8% in year 8· See AIR Table for details |
| Monthly Principal & Interest <i>See Projected Payments Below for Your Total Monthly Payment</i> | \$910.66 | YES | <ul style="list-style-type: none">· Adjusts every year starting in year 6· Can go as high as \$1,467 in year 8 |
| | | Does the loan have these features? | |
| Prepayment Penalty | | NO | |
| Balloon Payment | | NO | |

Example of "Loan terms" section. Find this on page 1 of your own Loan Estimate

| Projected Payments | | | | |
|---|-------------------------|--|--------------------------|--------------------------|
| Payment Calculation | Years 1-5 | Years 6 | Years 7 | Years 8-30 |
| Principal & Interest | \$910.66 | \$838 min \$1,123 max | \$838 min \$1,350 max | \$838 min \$1,467 max |
| Mortgage Insurance | + 99 | + 99 | + 99 | + — |
| Estimated Escrow <i>Amount can increase over time</i> | + 341 | + 341 | + 341 | + 341 |
| Estimated Total Monthly Payment | \$1,290 | \$1,217 – \$1,502 | \$1,217 – \$1,729 | \$1,179 – \$1,808 |
| Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> | \$341 a month | This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i> | | |
| | | In escrow? YES YES | | |

Example of "Projected payments" section. Find this on page 1 of your own Loan Estimate

Projected payments

PRINCIPAL & INTEREST

The monthly principal and interest payment on your ARM is likely to change after the initial period. Review this section to see how your payment can change based on your loan’s interest rate.

ESTIMATED TOTAL MONTHLY PAYMENT

Review this row to see the total minimum and maximum monthly payments. The payments include mortgage insurance, property taxes, homeowners insurance, and any additional property assessments or other escrow items. Learn more about these mortgage terms at cfpb.gov/mortgage-terms/

Keep in mind that other parts of your monthly and annual housing costs can change, such as your property taxes and homeowners insurance payments.

THE TALK

Talk over how your financial life could be affected if your ARM monthly payment increases. In future years, you might face money decisions like:

- Job changes
- School or other education expenses
- Medical needs and expenses

Because ARM adjustments are unpredictable, you might have less or more financial flexibility for other parts of your life.

Adjustable Interest Rate (AIR) table

You should read and understand the AIR table calculations before committing to an ARM. It's important to know how your interest rate changes over the life of your loan.

INDEX + MARGIN

Your lender is required to show you how your interest rate is calculated, which is determined by the index and margin on your loan. See page 2 of this booklet for more about index and margin.

INITIAL INTEREST RATE

This is the interest rate at the beginning of your loan. The initial interest rate changes to the index plus the margin at your first adjustment (subject to the limits on interest rate changes). Your loan servicer tells you your new payment amount seven to eight months in advance, so you can budget for it or shop for a new loan.

MINIMUM/MAXIMUM INTEREST RATE

This shows how low or high your interest rate could be over the life of your loan. Generally, an ARM's interest rate is never lower than the margin.

CHANGE FREQUENCY

This indicates when the interest rate on your loan will change. Your loan servicer sends you advance notices of changes.

LIMITS ON INTEREST RATE CHANGES

This shows the highest amount your interest rate can increase when there is a change.

| Adjustable Interest Rate (AIR) Table | |
|--------------------------------------|------------------------------------|
| Index + Margin | 1 Year Cmt + 2.5% |
| Initial Interest Rate | 3% |
| Minimum/Maximum Interest Rate | 2.5% / 8% |
| Change Frequency | |
| First Change | Beginning of 61st month |
| Subsequent Changes | Every 12 months after first change |
| Limits on Interest Rate Changes | |
| First Change | 2% |
| Subsequent Changes | 2% |

Example of "AIR table" section. Find this on page 2 of your own Loan Estimate



"TEASER" RATES

Some lenders offer a "teaser," "start," or "discounted" rate that is lower than their fully indexed rate. When the teaser rate ends, your loan takes on the fully indexed rate. Don't assume that a loan with a teaser rate is a good one for you. Not everyone's budget can accommodate a higher payment.

Consider this example:

- A lender's fully indexed rate is 4.5% (the index is 2% and the margin is 2.5%).
- The loan also features a "teaser" rate of 3%.
- Even if the index doesn't change, your interest rate still increases from 3% to 4.5% when your teaser rate expires.



COMPARE YOUR ARM OFFERS

Shop for at least three loan offers, and fill in the blanks below using the information on your Loan Estimates:

| | ARM OFFER 1 | ARM OFFER 2 | FIXED-RATE OFFER |
|--|-------------|-------------|------------------|
| Lender name | | | |
| Loan amount | \$ | \$ | \$ |
| Initial interest rate | % | % | % |
| Initial principal and interest payment | \$ | \$ | \$ |
| Index | | | |
| Margin | | | |
| How long will the initial interest rate and initial payment apply? | | | |
| How high can my interest rate go? | % | % | % |
| How high can my principal and interest payment go? | \$ | \$ | \$ |

My best loan offer is: _____



THE TALK

You are in control of whether or not to proceed with an ARM. If you prefer to proceed with a fixed-rate mortgage, here is one way to start the conversation with a lender:

“A fixed-rate mortgage seems to be a better fit for me. Let’s talk about what you can offer and how it compares to other loans I may be able to get.”

Review your lender's ARM program disclosure

Your lender gives you an ARM program disclosure when they give you an application. This is the lender's opportunity to tell you about their different ARM loans and how the loans work. The index and margin can differ from one lender to another, so it is helpful to compare offers from different lenders.

Generally, the index your lender uses won't change after you get your loan, but your loan contract may allow the lender to switch to a different index in some situations.

GATHER FACTS

Review your program disclosure and ask your lender questions to understand their ARM loan offerings:

- ☐ How are the interest rate and payment determined?
- ☐ Does this loan have interest-rate **caps** (that is, limits on interest rate changes)?
- ☐ How often do the interest rate and payment adjust?
- ☐ What index is used and where is it published?
- ☐ Is the initial interest rate lower than the fully indexed rate? (see "Teaser rates," on page 12)
- ☐ What type of information is provided in notices of adjustment and when do I receive them?

Ask about other options offered by your lender

Conversion option

Your loan agreement may include a clause that lets you convert the ARM to a fixed-rate mortgage in the future.

When you convert, the new rate is generally set using a formula given in your loan documents. That fixed rate may be higher or lower than interest rates available to you in the market at that time. Also your lender may charge you a conversion fee. Ask your lender whether the loan you are being offered has a conversion feature and how it works.

Special features

You can shop around to understand what special ARM features may be available from different lenders.

Not all programs are the same. Talk with your lender to find out if there's anything special about their ARM programs that you may find valuable.

Check your ARM for features that could pose risks

Some types of ARMs have features that can reduce your payments in the short term but may include fees or the risk of higher payments later. Review your loan terms and make sure that you understand the fees and how your rate and payment may change. **Lower payments at the beginning could mean higher fees or much higher payments later.**

Paying points to reduce your initial interest rate

Lenders can offer you a lower rate in exchange for paying loan fees at closing, or **points**.

With an ARM, paying points often reduces your interest rate only until the end of the initial period—the reduction most likely does not apply over the life of your loan.

If you are using an ARM to refinance a loan, points are often rolled into your new loan amount. You might not realize you are paying points unless you look carefully. Points are disclosed on the top of Page 2 of your Loan Estimate.

Lenders may give you the option to pay points, but you never have to take that option. To figure out if you have a good deal, compare your cost in points with the amount that you will save with a lower interest rate.

Loan Costs

| | |
|-------------------------------|----------------|
| A. Origination Charges | \$3,160 |
| 1% of Loan Amount (Points) | \$2,160 |
| Application Fee | \$500 |
| Processing Fee | \$500 |

Example of "Loan costs" section. Find this on page 2 of your own Loan Estimate

THE TALK

If your Loan Estimate shows points, ask your lender:

- "What is my interest rate if I choose not to pay points?"
- "How much money do I pay in points? And, compared to the total reduction in my payments during the initial period, am I coming out ahead?"
- "Can I see a revised Loan Estimate with the points removed and the interest rate adjusted?"

Interest-only ARMs

With an interest-only ARM payment plan, you pay only the interest for a specified number of years. During this interest-only period, you have smaller monthly payments, but you are not paying anything toward your mortgage loan balance.

When the interest-only period ends, your monthly payment increases—even if interest rates stay the same—because you must start paying back the principal plus the interest each month. Your monthly payments can increase a lot. The longer the interest-only period, the more your monthly payments increase after the interest-only period ends.

Payment option ARMs

Payment option ARMs were common before 2008 when the housing crisis began, and some lenders might still offer them.

A payment option ARM means the borrower can choose from different payment options, such as:

- A traditional principal and interest payment
- An interest-only payment (see above)
- A minimum payment, which could result in negative amortization

Negative amortization happens when you are not paying enough to cover all of the interest due. Your loan balance goes up instead of down.



GATHER FACTS

Learn more information about payment option ARMs and negative amortization at:

- cfpb.gov/payment-option-arm/
- cfpb.gov/negative-amortization/



WELL DONE!

Choosing the right home loan is just as important as choosing the right home. By equipping yourself with knowledge about ARMs, you can decide whether or not this type of loan is the right choice for you.

Consumer Handbook on Adjustable-Rate Mortgages



ASK YOUR LENDER

- How high can my payment go?
- How high can my interest rate go?
- How long is my initial principal and interest payment guaranteed?



ASK YOURSELF

- Have I shopped around to compare ARMs and fixed-rate loans?
- If an ARM has a lower initial interest rate than a fixed-rate mortgage, is paying less money now worth the risk of an increase later?
- Can I afford the highest payment possible with the ARM if I can't sell the home, or refinance into a lower rate, before the increase?



ONLINE TOOLS

CFPB website

cfpb.gov

Answers to common questions

cfpb.gov/askcfpb

Tools and resources for home buyers

cfpb.gov/owning-a-home

Talk to a housing counselor

cfpb.gov/find-a-housing-counselor

Submit a complaint

cfpb.gov/complaint

Your home loan toolkit

A step-by-step guide



Consumer Financial
Protection Bureau

How can this toolkit help you?

Buying a home is exciting and, let's face it, complicated. This booklet is a toolkit that can help you make better choices along your path to owning a home.

After you finish this toolkit:

- You'll know the most important steps you need to take to **get the best mortgage** for your situation Section 1: Page 3
- You'll better **understand your closing costs** and what it takes to buy a home Section 2: Page 16
- You'll see a few ways to **be a successful homeowner** Section 3: Page 24

How to use the toolkit:



The location symbol orients you to where you are in the home buying process.



The pencil tells you it is time to get out your pencil or pen to circle, check, or fill in numbers.



The magnifying glass highlights tips to help you research further to find important information.



The speech bubble shows you conversation starters for talking to others and gathering more facts.

About the CFPB

The Consumer Financial Protection Bureau is a federal agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Have a question about a common consumer financial product or problem? You can find answers by visiting consumerfinance.gov/askcfpb. Have an issue with a mortgage, student loan, or other financial product or service? You can submit a complaint to the CFPB. We'll forward your complaint to the company and work to get you a response. Turn to the back cover for details on how to submit a complaint or call us at (855) 411-2372.

This booklet was created to comply with federal law pursuant to 12 U.S.C. 2604, 12 CFR 1024.6, and 12 CFR 1026.19(g).

Choosing the best mortgage for you



You're starting to look for a mortgage or want to confirm you made a good decision.

To make the most of your mortgage, you need to decide what works for you and then shop around to find it. In this section, you'll find eight steps to get the job done right.

1. Define what affordable means to you

Only you can decide how much you are comfortable paying for your housing each month. In most cases, your lender can consider only if you are able to repay your mortgage, not whether you will be comfortable repaying your loan. Based on your whole financial picture, think about whether you want to take on the mortgage payment plus the other costs of homeownership such as appliances, repairs, and maintenance.

IN THIS SECTION

1. Define what affordable means to you
2. Understand your credit
3. Pick the mortgage type that works for you
4. Choose the right down payment for you
5. Understand the trade-off between points and interest rate
6. Shop with several lenders
7. Choose your mortgage
8. Avoid pitfalls and handle problems



THE TALK

Ask your spouse, a loved one, or friend about what affordable means to you:

"What's more important—a bigger home with a larger mortgage or more financial flexibility?"

"How much do we want to budget for all the monthly housing costs, including repairs, furniture, and new appliances?"

"What will a mortgage payment mean for other financial goals?"



KNOW YOUR NUMBERS

Calculate the home payment you can take on by filling in the worksheets below:

Think about what an affordable home loan looks like for you. These worksheets can help. First, estimate your total monthly home payment. Second, look at the percentage of your income that will go toward your monthly home payment. Third, look at how much money you will have available to spend on the rest of your monthly expenses.

Step 1. Estimate your total monthly home payment by adding up the items below

Your **total monthly home payment** is more than just your mortgage. There are more expenses that go along with owning your home. Start with estimates and adjust as you go.

| MONTHLY ESTIMATE | |
|---|------|
| Principal and interest (P&I) Your principal and interest payment depends on your home loan amount, the interest rate, and the number of years it takes to repay the loan. Principal is the amount you pay each month to reduce the loan balance. Interest is the amount you pay each month to borrow money. Many principal and interest calculators are available online. | \$ |
| Mortgage insurance Mortgage insurance is often required for loans with less than a 20% down payment. | + \$ |
| Property taxes The local assessor or auditor's office can help you estimate property taxes for your area. If you know the yearly amount, divide by 12 and write in the monthly amount. | + \$ |
| Homeowner's insurance You can call one or more insurance agents to get an estimate for homes in your area. Ask if flood insurance is required. | + \$ |
| Homeowner's association or condominium fees, if they apply Condominiums and other planned communities often require homeowner's association (HOA) fees. | + \$ |
| My estimated total monthly home payment | = \$ |

Step 2. Estimate the percentage of your income spent on your monthly home payment

Calculate the percentage of your total monthly income that goes toward your total monthly home payment each month. A mortgage lending rule of thumb is that **your total monthly home payment should be at or below 28% of your total monthly income before taxes**. Lenders may approve you for more or for less depending on your overall financial picture.

$$\begin{array}{ccccc} \$ & \div & \$ & \times 100 & = & \% \\ \hline \text{My estimated total monthly} & & \text{My total monthly income} & & & \text{Percentage of my income} \\ \text{home payment (from step 1)} & & \text{before taxes} & & & \text{going toward my monthly} \\ & & & & & \text{home payment} \end{array}$$

Step 3. Estimate what is left after subtracting your monthly debts

To determine whether you are comfortable with your total monthly home payment, figure out how much of your income is left after you pay for your housing plus your other monthly debts.

| | |
|--|------|
| Total monthly income <i>after taxes</i> | \$ |
| My estimated total monthly home payment (from step 1) | |
| Monthly car payment(s) | – \$ |
| Monthly student loan payment(s) | – \$ |
| Monthly credit card payment(s) | – \$ |
| Other monthly payments, such as child support or alimony | – \$ |
| Total monthly income minus all debt payments This money must cover your utilities, groceries, child care, health insurance, repairs, and everything else. If this isn't enough, consider options such as buying a less expensive home or paying down debts. | = \$ |

Step 4. Your choice

I am comfortable with a total monthly home payment of: \$

2. Understand your credit

Your credit, your credit scores, and how wisely you shop for a loan that best fits your needs have a significant impact on your mortgage interest rate and the fees you pay. To improve your credit and your chances of getting a better mortgage, get current on your payments and stay current. About 35% of your credit scores are based on whether or not you pay your bills on time. About 30% of your credit scores are based on how much debt you owe. That's why you may want to consider paying down some of your debts.

RESEARCH STARTER

Check out interest rates and make sure you're getting the credit you've earned.

- ☐ Get your credit report at annualcreditreport.com and check it for errors. If you find mistakes, submit a request to each of the credit bureaus asking them to fix the mistake. For more information about correcting errors on your credit report, visit consumerfinance.gov/askcfpb.
- ☐ For more on home loans and credit, visit consumerfinance.gov/owning-a-home.

TIP

Be careful making any big purchases on credit before you close on your home. Even financing a new refrigerator could make it harder for you to get a mortgage.

TIP

Correcting errors on your credit report may raise your score in 30 days or less. It's a good idea to correct errors before you apply for a mortgage.

NOW

- If your credit score is below 700, you will likely pay more for your mortgage.
- Most credit scoring models are built so you can shop for a mortgage within a certain period—generally between 14 days and 45 days—with little or no impact on your score. If you shop outside of this period, any change triggered by shopping should be minor—a small price to pay for saving money on a mortgage loan.

IN THE FUTURE

- If you work on improving your credit and wait to buy a home, you will likely save money. Some people who improve their credit save \$50 or \$100 on a typical monthly mortgage payment.
- An average consumer who adopts healthy credit habits, such as paying bills on time and paying down credit cards, could see a credit score improvement in three months or more.

YOUR CHOICE *Check one:*

- ☐ I will go with the credit I have. **OR** ☐ I will wait a few months or more and work to improve my credit.

3. Pick the mortgage type—fixed or adjustable—that works for you

With a **fixed-rate mortgage**, your principal and interest payment stays the same for as long as you have your loan.

- Consider a fixed-rate mortgage if you want a predictable payment.
- You may be able to refinance later if interest rates fall or your credit or financial situation improves.

With an **adjustable-rate mortgage (ARM)**, your payment often starts out lower than with a fixed-rate loan, but your rate and payment could increase quickly. It is important to understand the trade-offs if you decide on an ARM.

- Your payment could increase a lot, often by hundreds of dollars a month.
- Make sure you are confident you know what your maximum payment could be and that you can afford it.

Planning to sell your home within a short period of time? That's one reason some people consider an ARM. But, you probably shouldn't count on being able to sell or refinance. Your financial situation could change. Home values may go down or interest rates may go up.

You can learn more about ARMs in the Consumer Handbook on Adjustable Rate Mortgages (files.consumerfinance.gov/f/201401_cfpb_booklet_charm.pdf) or by visiting consumerfinance.gov/owning-a-home.

TIP

Many borrowers with ARMs underestimate how much their interest rates can rise.

YOUR CHOICE Check one:

☐ I prefer a fixed-rate mortgage. **OR** ☐ I prefer an adjustable-rate mortgage.

Check for risky loan features

Some loans are safer and more predictable than others. It is a good idea to make sure you are comfortable with the risks you are taking on when you buy your home. You can find out if you have certain types of risky loan features from the Loan Terms section on the first page of your Loan Estimate.

A **balloon payment** is a large payment you must make, usually at the end of your loan repayment period. Depending on the terms of your loan, the balloon payment could be as large as the entire balance on your mortgage.

A **prepayment penalty** is an amount you have to pay if you refinance or pay off your loan early. A prepayment penalty may apply even if you sell your home.

4. Choose the right down payment for you

A down payment is the amount you pay toward the home yourself. You put a percentage of the home's value down and borrow the rest through your mortgage loan.

YOUR CHOICE Check one:

| YOUR DOWN PAYMENT | WHAT THAT MEANS FOR YOU |
|--|--|
| <input type="checkbox"/> I will put down 20% or more. | A 20% or higher down payment likely provides the best rates and most options. However, think twice if the down payment drains all your savings. |
| <input type="checkbox"/> I will put down between 5% and 19%. | <p>You probably have to pay higher interest rates or fees. Lenders most likely require private mortgage insurance (PMI). PMI is an insurance policy that lets you make a lower down payment by insuring the lender against loss if you fail to pay your mortgage.</p> <p>Keep in mind when you hear about “no PMI” offers that doesn’t mean zero cost. No PMI offers often have higher interest rates and may also require you to take out a second mortgage. Be sure you understand the details.</p> |
| <input type="checkbox"/> I will make no down payment or a small one of less than 5%. | <p>Low down payment programs are typically more expensive because they may require mortgage insurance or a higher interest rate. Look closely at your total fees, interest rate, and monthly payment when comparing options.</p> <p>Ask about loan programs such as:</p> <ul style="list-style-type: none">▪ Conventional loans that may offer low down payment options.▪ FHA, which offers a 3.5% down payment program.▪ VA, which offers a zero down payment option for qualifying veterans.▪ USDA, which offers a similar zero down payment program for eligible borrowers in rural areas. |

The advantages of prepayment

Prepayment is when you make additional mortgage payments so you pay down your mortgage early. This reduces your overall cost of borrowing, and you may be able to cancel your private mortgage insurance early and stop paying the premium. Especially if your down payment is less than 20%, it may make sense to make additional payments to pay down your loan earlier.

TIP

Prepayment is your choice. You don’t have to sign up for a program or pay a fee to set it up.

5. Understand the trade-off between points and interest rate

Points are a percentage of a loan amount. For example, when a loan officer talks about one point on a \$100,000 loan, the loan officer is talking about one percent of the loan, which equals \$1,000. Lenders offer different interest rates on loans with different points. There are three main choices you can make about points. You can decide you don't want to pay or receive points at all. This is called a **zero point loan**. You can pay points at closing to receive a lower interest rate. Or you can choose to have points paid to you (also called **lender credits**) and use them to cover some of your closing costs.

The example below shows the trade-off between points as part of your closing costs and interest rates. In the example, you borrow \$180,000 and qualify for a 30-year fixed-rate loan at an interest rate of 5.0% with zero points. Rates currently available may be different than what is shown in this example.

COMPARE THREE SCENARIOS OF HOW POINTS AFFECT INTEREST RATE

| RATE | 4.875% | 5.0% | 5.125% |
|-----------------|---|--|--|
| POINTS | +0.375 | 0 | -0.375 |
| YOUR SITUATION | You plan to keep your mortgage for a long time. You can afford to pay more cash at closing. | You are satisfied with the market rate without points in either direction. | You don't want to pay a lot of cash upfront and you can afford a larger mortgage payment. |
| YOU MAY CHOOSE | Pay points now and get a lower interest rate. This will save you money over the long run. | Zero points. | Pay a higher interest rate and get a lender credit toward some or all of your closing costs. |
| WHAT THAT MEANS | <p>You might agree to pay \$675 more in closing costs, in exchange for a lower rate of 4.875%.</p> <p>Now: You pay \$675</p> <p>Over the life of the loan: Pay \$14 less each month</p> | <p>With no adjustments in either direction, it is easier to understand what you're paying and to compare prices.</p> | <p>You might agree to a higher rate of 5.125%, in exchange for \$675 toward your closing costs.</p> <p>Now: You get \$675</p> <p>Over the life of the loan: Pay \$14 more each month</p> |

6. Shop with several lenders

You've figured out what affordable means for you. You've reviewed your credit and the kind of mortgage and down payment that best fits your situation. Now is the time to start shopping seriously for a loan. The work you do here could save you thousands of dollars over the life of your mortgage.

GATHER FACTS AND COMPARE COSTS

☐ Make a list of several lenders you will start with

Mortgages are typically offered by community banks, credit unions, mortgage brokers, online lenders, and large banks. These lenders have loan officers you can talk to about your situation.

☐ Get the facts from the lenders on your list

Find out from the lenders what loan options they recommend for you, and the costs and benefits for each. For example, you might find a discount is offered for borrowers who have completed a home buyer education program.

☐ Get at least three offers—in writing—so that you can compare them

Review the decisions you made on [pages 4 to 8](#) to determine the loan type, down payment, total monthly home payment and other features to shop for. Now ask at least three different lenders to give you a **Loan Estimate**, which is a standard form showing important facts about the loan. It should be sent to you within three days, and it shouldn't be expensive. Lenders can charge you only a small fee for getting your credit report—and some lenders provide the Loan Estimate without that fee.

☐ Compare Total Loan Costs

Review your Loan Estimates and compare Total Loan Costs, which you can see under *Section D* at the bottom left of the second page of the Loan Estimate. **Total Loan Costs** include what your lender charges to make the loan, as well as costs for services such as appraisal and title. The third page of the Loan Estimate shows the **Annual Percentage Rate** (APR), which is a measure of your costs over the loan term expressed as a rate. Also shown on the third page is the **Total Interest Percentage** (TIP), which is the total amount of interest that you pay over the loan term as a percentage of your loan amount. **You can use APR and TIP to compare loan offers.**

RESEARCH STARTER

Loan costs can vary widely from lender to lender, so this is one place where a little research may help you save a lot of money. Here's how:

☐ Ask real estate and title professionals about average costs in your area.

☐ Learn more about loan costs, and get help comparing options, at consumerfinance.gov/owning-a-home.

TIP

A loan officer is not necessarily shopping on your behalf or providing you with the best fit or lowest cost loan.

TIP

It is illegal for a lender to pay a loan officer more to steer you into a higher cost loan.

THE TALK

Talking to different lenders helps you to know what options are available and to feel more in control. Here is one way to start the conversation:

“This mortgage is a big decision and I want to get it right. Another lender is offering me a different loan that may cost less. Let’s talk about what the differences are and whether you may be able to offer me the best deal.”



TRACK YOUR LOAN OFFERS

Fill in the blanks for these important factors:

| | LOAN OFFER 1 | LOAN OFFER 2 | LOAN OFFER 3 |
|--|---|---|---|
| Lender name | | | |
| Loan amount | \$ | \$ | \$ |
| Interest rate | % | % | % |
| | <input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable | <input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable | <input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable |
| Monthly principal and interest | \$ | \$ | \$ |
| Monthly mortgage insurance | \$ | \$ | \$ |
| Total Loan Costs <i>(See section D on the second page of your Loan Estimate.)</i> | \$ | \$ | \$ |

My best loan offer is: _____

7. Choose your mortgage

You've done a lot of hard work to get this far! Now it is time to make your call.



CONFIRM YOUR DECISION

Check the box if you agree with the statement:

- ☐ I can repay this loan.
- ☐ I am comfortable with my monthly payment.
- ☐ I shopped enough to know this is a good deal for me.
- ☐ There are no risky features such as a balloon payment or prepayment penalty I can't handle down the road.
- ☐ I know whether my principal and interest payment will increase in the future.

Still need advice? The U.S. Department of Housing and Urban Development (HUD) sponsors housing counseling agencies throughout the country to provide free or low-cost advice. To find a HUD-approved housing counselor visit consumerfinance.gov/find-a-housing-counselor or call HUD's interactive voice system at (800) 569-4287.

Intent to proceed

When you receive a Loan Estimate, the lender has not yet approved or denied your loan. Up to this point, they are showing you what they expect to offer if you decide to move forward with your application. You have not committed to this lender. In fact, you are not committed to any lender before you have signed final closing documents.

Once you have found your best mortgage, the next step is to tell the loan officer you want to proceed with that mortgage application. This is called expressing your **intent to proceed**. Lenders have to wait until you express your intent to proceed before they require you to pay an application fee, appraisal fee, or most other fees.

Rate lock

Your Loan Estimate may show a rate that has been "locked" or a rate that is "floating," which means it can go up or down. Mortgage interest rates change daily, sometimes hourly. A **rate lock** sets your interest rate for a period of time. Rate locks are typically available for 30, 45, or 60 days, and sometimes longer.

The interest rate on your Loan Estimate is not a guarantee. If your rate is floating and it is later locked, your interest rate will be set at that later time. Also, if there are changes in your application—including your loan amount, credit score, or verified income—your rate and terms will probably change too. In those situations, the lender gives you a revised Loan Estimate.

There can be a downside to a rate lock. It may be expensive to extend if your transaction needs more time. And, a rate lock may lock you out of better market pricing if rates fall.

THE TALK

Rate lock policies vary by lender. Choosing to lock or float your rate can make an important difference in your monthly payment. To avoid surprises, ask:

“What does it mean if I lock my rate today?”

“What rate lock time frame does this Loan Estimate provide?”

“Is a shorter or longer rate lock available, and at what cost?”

“What if my closing is delayed and the rate lock expires?”

“If I lock my rate, are there any conditions under which my rate could still change?”

8. Avoid pitfalls

| WHAT NOT TO DO | WHY? |
|---|--|
| Don't sign documents where important details are left blank or documents you don't understand. | You are agreeing to repay a substantial amount of money over an extended period of time. Make sure you know what you are getting into and protect yourself from fraud. |
| Don't assume you are on your own. | <p>HUD-approved housing counselors can help you navigate the process and find programs available to help first-time homebuyers.</p> <p>You can find a HUD-approved housing counselor in your area at consumerfinance.gov/find-a-housing-counselor or call HUD's interactive voice system at (800) 569-4287.</p> |
| Don't take on more mortgage than you want or can afford. | Make certain that you want the loan that you are requesting and that you are in a position to live up to your end of the bargain. |
| Don't count on refinancing, and don't take out a loan if you already know you will have to change it later. | If you are not comfortable with the loan offered to you, ask your lender if there is another option that works for you. Keep looking until you find the right loan for your situation. |
| Don't fudge numbers or documents. | You are responsible for an accurate and truthful application. Be upfront about your situation. Mortgage fraud is a serious offense. |
| Don't hide important financial information. | Hiding negative information may delay or derail your loan application. |

Handle problems

| WHAT HAPPENED | WHAT TO DO ABOUT IT |
|---|--|
| I have experienced a problem with my loan application or how my loan officer is treating me. | Ask to talk to a supervisor. It may be a good idea to talk to the loan officer first, and if you are not satisfied, ask to speak with a supervisor. |
| I think I was unlawfully discriminated against when I applied for a loan or when I tried to buy a home. | <p>The Fair Housing Act and Equal Credit Opportunity Act prohibit housing and credit discrimination. If you think you have been discriminated against during any part of the mortgage process, you can submit a complaint and describe what happened. To do so, you can call the Consumer Financial Protection Bureau at (855) 411-2372 or visit consumerfinance.gov/complaint. Submit a complaint to the U.S. Department of Housing and Urban Development (HUD) by calling (800) 669-9777, TTY (800) 927-9275. Or, file a complaint online at HUD.gov.</p> <p>You can find more information about your rights and how to submit a complaint with the CFPB at consumerfinance.gov/fair-lending.</p> |
| I have a complaint. | Submit a complaint to the Consumer Financial Protection Bureau if you have problems at any stage of the mortgage application or closing process, or later if you have problems making payments or become unable to pay. You can call (855) 411-2372 or visit consumerfinance.gov/complaint . |
| I think I may have been the victim of a predatory lender or a loan fraud. | <p>Don't believe anyone who tells you they are your "only chance to get a loan," or that you must "act fast." Learn the warning signs of predatory lending and protect yourself. Find more information at portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/OHC_PREDLEND/OHC_LOANFRAUD.</p> <p>You could learn more about your loan officer at nmlsconsumeraccess.org.</p> |

Your closing



You've chosen a mortgage. Now it's time to select and work with your closing agent.

Once you've applied for a mortgage, you may feel like you're done. But mortgages are complicated and you still have choices to make.

IN THIS SECTION

1. Shop for mortgage closing services
2. Review your revised Loan Estimate
3. Understand and use your Closing Disclosure

1. Shop for mortgage closing services

Once you've decided to move forward with a lender based on the Loan Estimate, you are ready to shop for the **closing agent** who gathers all the legal documents, closes the loan, and handles the money involved in your purchase. After you apply for a loan, your lender gives you a list of companies that provide closing services. You may want to use one of the companies on the list. Or, you may be able to choose companies that are not on the list if your lender agrees to work with your choice. The seller cannot require you to buy a title insurance policy from a particular title company.

Closing agent

In most of the country, a settlement agent does your closing. In other states, particularly several states in the West, the person is known as an escrow agent. And in some states, particularly in the Northeast and South, an attorney may be required.



RESEARCH STARTER

When you compare closing agents, look at both cost and customer service.

- ☐ Ask your real estate professional and your friends. These people may know companies they would recommend. Be sure to ask how that company handled problems and if they have a good reputation.

TIP

Settlement services may feel like a drop in the bucket compared to the cost of the home. But in some states borrowers who shop around may save hundreds of dollars.

- Review the list of companies your lender gave you. Select a few companies on the list and ask for references from people who recently bought a home. Ask those people how the company handled problems that came up during the transaction.

Title insurance

When you purchase your home, you receive a document most often called a deed, which shows the seller transferred their legal ownership, or “title,” to the home to you. **Title insurance** can provide protection if someone later sues and says they have a claim against the home. Common claims come from a previous owner’s failure to pay taxes or from contractors who say they were not paid for work done on the home before you purchased it.

Most lenders require a **Lender’s Title Insurance** policy, which protects the amount they lent. You may want to buy an **Owner’s Title Insurance** policy, which protects your financial investment in the home. The Loan Estimate you receive lists the Owner’s Title Insurance policy as optional if your lender does not require the policy as a condition of the loan.

Depending on the state where you are buying your home, your title insurance company may give you an itemized list of fees at closing. This itemized list may be required under state law and may be different from what you see on your Loan Estimate or Closing Disclosure. That does not mean you are being charged more. If you add up all the title-related costs your title insurance company gives you, it should match the totals of all the title-related costs you see on your Loan Estimate or Closing Disclosure. When comparing costs for title insurance, make sure to compare the bottom line total.

Home inspector and home appraiser

When you are considering buying a home, it is smart to check it out carefully to see if it is in good condition. The person who does this for you is called a **home inspector**. The inspector works for you and should tell you whether the home you want to buy is in good condition and whether you are buying a “money pit” of expensive repairs. Get your inspection before you are finally committed to buy the home.

A home inspector is different from a **home appraiser**. The appraiser is an independent professional whose job is to give the lender an estimate of the home’s market value. You are entitled to a copy of the appraisal prior to your closing. This allows you to see how the price you agreed to pay compares to similar and recent property sales in your area.

2. Review your revised Loan Estimate

When important information changes, your lender is required to give you a new Loan Estimate that shows your new loan offer.

It is illegal for a lender to quote you low fees and costs for its services on your Loan Estimate and then surprise you with much higher costs in a revised Loan Estimate or Closing Disclosure. However, a lender may change the fees it quotes you for its services if the facts on your application were wrong or changed, you asked for a change, your lender found you did not qualify for the original loan offer, or your Loan Estimate expired.

Here are common reasons why your Loan Estimate might change:

- You decided to change loan programs or the amount of your down payment.
- The appraisal on the home you want to buy came in higher or lower than expected.
- You took out a new loan or missed a payment and that has changed your credit.
- Your lender could not document your overtime, bonus, or other income.

THE TALK

If your Loan Estimate is revised you should look it over to see what changed. Ask your lender:

"Can you explain why I received a new Loan Estimate?"

"How is my loan transaction different from what I was originally expecting?"

"How does this change my loan amount, interest rate, monthly payment, cash to close, and other loan features?"

3. Understand and use your Closing Disclosure

You've chosen a home you want to buy and your offer has been accepted. You've also applied for and been approved for a mortgage. Now you are ready to take legal possession of the home and promise to repay your loan.

At least three days before your closing, you should get your official **Closing Disclosure**, which is a five-page document that gives you more details about your loan, its key terms, and how much you are paying in fees and other costs to get your mortgage and buy your home.

Many of the costs you pay at closing are set by the decisions you made when you were shopping for a mortgage. Charges shown under "services you can shop for" may increase at closing, but generally by no more than 10% of the costs listed on your final Loan Estimate.

The Closing Disclosure breaks down your closing costs into two big categories:

YOUR LOAN COSTS

- The lender's **Origination Costs** to make or "originate" the loan, along with application fees and fees to underwrite your loan. **Underwriting** is the lender's term for making sure your credit and financial information is accurate and you meet the lender's requirements for a loan.
- Discount points—that is, additional money you pay up front to reduce your interest rate.
- Services you shopped for, such as your closing or settlement agent and related title costs.
- Services your lender requires for your loan. These include appraisals and credit reports.

OTHER COSTS

- Property taxes.
- Homeowner's insurance premiums. You can shop around for homeowner's insurance from your current insurance company, or many others, until you find the combination of premium, coverage, and customer service that fits your situation. Your lender will ask you for proof you have an insurance policy on your new home.
- Any portion of your total mortgage payment you must make before your first full payment is due.
- Flood insurance, if required.

RESEARCH STARTER

Get tips, a step-by-step checklist, and help with the rest of the documents you'll see at closing at consumerfinance.gov/owning-a-home.

What is your Closing Disclosure?

The five-page Closing Disclosure sums up the terms of your loan and what you pay at closing. You can easily compare the numbers to the Loan Estimate you received earlier. There should not be any significant changes other than those you have already agreed to.

Take out your own Closing Disclosure, or review the example here. Double-check that you clearly understand what you'll be expected to pay—over the life of your loan and at closing.

ON PAGE 1 OF 5

Loan terms

Review your monthly payment. Part of it goes to repay what you borrowed (and may build equity in your new home), and part of it goes to pay interest (which doesn't build equity). Equity is the current market value of your home minus the amount you still owe on your mortgage.

Costs at Closing

Be prepared to bring the full "Cash to Close" amount with you to your closing. This amount includes your down payment and closing costs. The closing costs are itemized on the following pages.

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

| Closing Information | | Transaction Information | | Loan Information | |
|--------------------------|-------------------|-------------------------|------------------------------|------------------|---|
| Date Issued | 4/15/2013 | Borrower | Michael Jones and Mary Stone | Loan Term | 30 years |
| Closing Date | 4/15/2013 | | 123 Anywhere Street | Purpose | Purchase |
| Disbursement Date | 4/15/2013 | | Anytown, ST 12345 | Product | Fixed Rate |
| Settlement Agent | Epsilon Title Co. | Seller | Steve Cole and Amy Doe | | |
| File # | 12-3456 | | 321 Somewhere Drive | Loan Type | <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA |
| Property | 456 Somewhere Ave | | Anytown, ST 12345 | Loan ID # | 123456789 |
| | Anytown, ST 12345 | Lender | Ficus Bank | MIC # | 000654321 |
| Sale Price | \$180,000 | | | | |

| Loan Terms | | Can this amount increase after closing? |
|---|-----------|---|
| Loan Amount | \$162,000 | NO |
| Interest Rate | 3.875% | NO |
| Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small> | \$761.78 | NO |

| Does the loan have these features? | |
|------------------------------------|---|
| Prepayment Penalty | YES • As high as \$3,240 if you pay off the loan during the first 2 years |
| Balloon Payment | NO |

| Projected Payments | | |
|--|------------|------------|
| Payment Calculation | Years 1-7 | Years 8-30 |
| Principal & Interest | \$761.78 | \$761.78 |
| Mortgage Insurance | + 82.35 | + — |
| Estimated Escrow <small>Amount can increase over time</small> | + 206.13 | + 206.13 |
| Estimated Total Monthly Payment | \$1,050.26 | \$967.91 |

| | | | |
|--|---------------------|---|---------------------------------------|
| Estimated Taxes, Insurance & Assessments <small>Amount can increase over time See page 4 for details</small> | \$356.13 a month | This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <small>See Escrow Account on page 4 for details. You must pay for other property costs separately.</small> | In escrow? YES YES NO |
|--|---------------------|---|---------------------------------------|

| Costs at Closing | |
|----------------------|---|
| Closing Costs | \$9,712.10 Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. See page 2 for details. |
| Cash to Close | \$14,147.26 Includes Closing Costs. See Calculating Cash to Close on page 3 for details. |

CLOSING DISCLOSURE

PAGE 1 OF 5 • LOAN ID # 123456789

Closing Disclosure, page 1. The most important facts about your loan are on the first page.

ON PAGE 2 OF 5

Total Loan Costs

Origination charges are fees your lender charges to make your loan. Some closing costs are fees paid to the providers selected by your lender. Some are fees you pay to providers you chose on your own.

Prepays

Homeowner's insurance is often paid in advance for the first full year. Also, some taxes and other fees need to be paid in advance.

Closing Cost Details

| Loan Costs | | Borrower-Paid | | Seller-Paid | | Paid by Others |
|---|---|-------------------|----------------|-------------|----------------|----------------|
| | | At Closing | Before Closing | At Closing | Before Closing | |
| A. Origination Charges | | \$1,802.00 | | | | |
| 01 | 0.25 % of Loan Amount (Points) | \$405.00 | | | | |
| 02 | Application Fee | \$300.00 | | | | |
| 03 | Underwriting Fee | \$1,097.00 | | | | |
| 04 | | | | | | |
| 05 | | | | | | |
| 06 | | | | | | |
| 07 | | | | | | |
| 08 | | | | | | |
| B. Services Borrower Did Not Shop For | | \$236.55 | | | | |
| 01 | Appraisal Fee to John Smith Appraisers Inc. | | \$29.80 | | | \$405.00 |
| 02 | Credit Report Fee to Information Inc. | | | | | |
| 03 | Flood Determination Fee to Info Co. | \$20.00 | | | | |
| 04 | Flood Monitoring Fee to Info Co. | \$31.75 | | | | |
| 05 | Tax Monitoring Fee to Info Co. | \$75.00 | | | | |
| 06 | Tax Status Research Fee to Info Co. | \$80.00 | | | | |
| 07 | | | | | | |
| 08 | | | | | | |
| 09 | | | | | | |
| 10 | | | | | | |
| C. Services Borrower Did Shop For | | \$2,655.50 | | | | |
| 01 | Pest Inspection Fee to Pests Co. | \$120.50 | | | | |
| 02 | Survey Fee to Surveys Co. | \$85.00 | | | | |
| 03 | Title – Insurance Binder to Epsilon Title Co. | \$650.00 | | | | |
| 04 | Title – Lender's Title Insurance to Epsilon Title Co. | \$500.00 | | | | |
| 05 | Title – Settlement Agent Fee to Epsilon Title Co. | \$500.00 | | | | |
| 06 | Title – Title Search to Epsilon Title Co. | \$800.00 | | | | |
| 07 | | | | | | |
| 08 | | | | | | |
| D. TOTAL LOAN COSTS (Borrower-Paid) | | \$4,694.05 | | | | |
| Loan Costs Subtotals (A + B + C) | | \$4,664.25 | \$29.80 | | | |
| | | | | | | |
| Other Costs | | | | | | |
| E. Taxes and Other Government Fees | | \$85.00 | | | | |
| 01 | Recording Fees Deed: \$40.00 Mortgage: \$45.00 | \$85.00 | | | | |
| 02 | Transfer Tax to Any State | | | \$950.00 | | |
| F. Prepaids | | \$2,120.80 | | | | |
| 01 | Homeowner's Insurance Premium (12 mo.) to Insurance Co. | \$1,209.96 | | | | |
| 02 | Mortgage Insurance Premium (mo.) | | | | | |
| 03 | Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13) | \$279.04 | | | | |
| 04 | Property Taxes (6 mo.) to Any County USA | \$631.80 | | | | |
| 05 | | | | | | |
| G. Initial Escrow Payment at Closing | | \$412.25 | | | | |
| 01 | Homeowner's Insurance \$100.83 per month for 2 mo. | \$201.66 | | | | |
| 02 | Mortgage Insurance per month for mo. | | | | | |
| 03 | Property Taxes \$105.30 per month for 2 mo. | \$210.60 | | | | |
| 04 | | | | | | |
| 05 | | | | | | |
| 06 | | | | | | |
| 07 | | | | | | |
| 08 | Aggregate Adjustment | - 0.01 | | | | |
| H. Other | | \$2,400.00 | | | | |
| 01 | HOA Capital Contribution to HOA Acre Inc. | \$500.00 | | | | |
| 02 | HOA Processing Fee to HOA Acre Inc. | \$150.00 | | | | |
| 03 | Home Inspection Fee to Engineers Inc. | \$750.00 | | | | |
| 04 | Home Warranty Fee to XYZ Warranty Inc. | | | \$450.00 | \$750.00 | |
| 05 | Real Estate Commission to Alpha Real Estate Broker | | | \$5,700.00 | | |
| 06 | Real Estate Commission to Omega Real Estate Broker | | | \$5,700.00 | | |
| 07 | Title – Owner's Title Insurance (optional) to Epsilon Title Co. | \$1,000.00 | | | | |
| 08 | | | | | | |
| I. TOTAL OTHER COSTS (Borrower-Paid) | | \$5,018.05 | | | | |
| Other Costs Subtotals (E + F + G + H) | | \$5,018.05 | | | | |
| | | | | | | |
| J. TOTAL CLOSING COSTS (Borrower-Paid) | | \$9,712.10 | | | | |
| Closing Costs Subtotals (D + I) | | \$9,682.30 | \$29.80 | \$12,800.00 | \$750.00 | \$405.00 |
| Lender Credits | | | | | | |

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Escrow

An escrow or impound account is a special account where monthly insurance and tax payments are held until they are paid out each year. You get a statement showing how much money your lender or mortgage servicer plans to require for your escrow or impound account.

You also get an annual analysis showing what happened to the money in your account. Your lender must follow federal rules to make sure they do not end up with a large surplus or shortage in your escrow or impound account.

Details of your closing costs appear on page 2 of the Closing Disclosure.



USE YOUR CLOSING DISCLOSURE TO CONFIRM THE DETAILS OF YOUR LOAN

Circle one. If you answer no, turn to the page indicated for more information:

The interest rate is what I was expecting based on my Loan Estimate. **YES / NO** (see page 10)

I know whether I have a prepayment penalty or balloon payment. **YES / NO** (see page 7)

I know whether or not my payment changes in future years. **YES / NO** (see page 7)

I see whether I am paying points or receiving points at closing. **YES / NO** (see page 9)

I know whether I have an escrow account. **YES / NO** (see above)

Calculating Cash to Close

Closing costs are only a part of the total cash you need to bring to closing.

Summaries of Transactions

The section at the bottom of the page sums up how the money flows among you, the lender, and the seller.

Loan Disclosures

Page 4 breaks down what is and is not included in your escrow or impound account. Make sure you understand what is paid from your escrow account and what you are responsible for paying yourself.

Top image: A summary of important financial information appears on page 3 of the Closing Disclosure.

Bottom image: More details of your loan appear on page 4 of your Closing Disclosure.

| Calculating Cash to Close | | Use this table to see what has changed from your Loan Estimate. | |
|---|---------------|---|--|
| | Loan Estimate | Final | Did this change? |
| Total Closing Costs (J) | \$8,054.00 | \$9,712.10 | YES - See Total Loan Costs (D) and Total Other Costs (I) |
| Closing Costs Paid Before Closing | \$0 | – \$29.80 | YES - You paid these Closing Costs before closing |
| Closing Costs Financed (Paid from your Loan Amount) | \$0 | \$0 | NO |
| Down Payment/Funds from Borrower | \$18,000.00 | \$18,000.00 | NO |
| Deposit | – \$10,000.00 | – \$10,000.00 | NO |
| Funds for Borrower | \$0 | \$0 | NO |
| Seller Credits | \$0 | – \$2,500.00 | YES - See Seller Credits in Section L |
| Adjustments and Other Credits | \$0 | – \$1,035.04 | YES - See details in Sections K and L |
| Cash to Close | \$16,054.00 | \$14,147.26 | |

| Summaries of Transactions | | Use this table to see a summary of your transaction. | |
|---|---------------------|---|---------------------|
| BORROWER'S TRANSACTION | | SELLER'S TRANSACTION | |
| K. Due from Borrower at Closing | \$189,762.30 | M. Due to Seller at Closing | \$180,080.00 |
| 01 Sale Price of Property | \$180,000.00 | 01 Sale Price of Property | \$180,000.00 |
| 02 Sale Price of Any Personal Property Included in Sale | | 02 Sale Price of Any Personal Property Included in Sale | |
| 03 Closing Costs Paid at Closing (J) | \$9,682.30 | 03 | |
| 04 | | 04 | |
| Adjustments | | 05 | |
| 05 | | 06 | |
| 06 | | 07 | |
| 07 | | 08 | |
| Adjustments for Items Paid by Seller in Advance | | Adjustments for Items Paid by Seller in Advance | |
| 08 City/Town Taxes to | | 09 City/Town Taxes to | |
| 09 County Taxes to | | 10 County Taxes to | |
| 10 Assessments to | | 11 Assessments to | |
| 11 HOA Dues 4/15/13 to 4/30/13 | \$80.00 | 12 HOA Dues 4/15/13 to 4/30/13 | \$80.00 |
| 12 | | 13 | |
| 13 | | 14 | |
| 14 | | 15 | |
| 15 | | 16 | |
| L. Paid Already by or on Behalf of Borrower at Closing | \$175,615.04 | N. Due from Seller at Closing | \$115,665.04 |
| 01 Deposit | \$10,000.00 | 01 Excess Deposit | |
| 02 Loan Amount | \$162,000.00 | 02 Closing Costs Paid at Closing (J) | \$12,800.00 |
| 03 Existing Loan(s) Assumed or Taken Subject to | | 03 Existing Loan(s) Assumed or Taken Subject to | |
| 04 | | 04 Payoff of First Mortgage Loan | \$100,000.00 |
| 05 Seller Credit | \$2,500.00 | 05 Payoff of Second Mortgage Loan | |

Additional Information About This Loan

| Loan Disclosures | | | | | | | | | | | |
|---|---|-----------|--|--------------------------------------|---|---|---|------------------------|---|------------------------|--|
| Assumption If you sell or transfer this property to another person, your lender <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms. | Escrow Account For now, your loan <input checked="" type="checkbox"/> will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment. | | | | | | | | | | |
| Demand Feature Your loan <input type="checkbox"/> has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details. <input checked="" type="checkbox"/> does not have a demand feature. | <table><tr><th colspan="2">Escrow</th></tr><tr><td>Escrowed Property Costs over Year 1</td><td>\$2,473.56 Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes</td></tr><tr><td>Non-Escrowed Property Costs over Year 1</td><td>\$1,800.00 Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Association Dues You may have other property costs.</td></tr><tr><td>Initial Escrow Payment</td><td>\$412.25 A cushion for the escrow account you pay at closing. See Section G on page 2.</td></tr><tr><td>Monthly Escrow Payment</td><td>\$206.13 The amount included in your total monthly payment.</td></tr></table> | Escrow | | Escrowed Property Costs over Year 1 | \$2,473.56 Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes | Non-Escrowed Property Costs over Year 1 | \$1,800.00 Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Association Dues You may have other property costs. | Initial Escrow Payment | \$412.25 A cushion for the escrow account you pay at closing. See Section G on page 2. | Monthly Escrow Payment | \$206.13 The amount included in your total monthly payment. |
| Escrow | | | | | | | | | | | |
| Escrowed Property Costs over Year 1 | \$2,473.56 Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes | | | | | | | | | | |
| Non-Escrowed Property Costs over Year 1 | \$1,800.00 Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Association Dues You may have other property costs. | | | | | | | | | | |
| Initial Escrow Payment | \$412.25 A cushion for the escrow account you pay at closing. See Section G on page 2. | | | | | | | | | | |
| Monthly Escrow Payment | \$206.13 The amount included in your total monthly payment. | | | | | | | | | | |
| Late Payment If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment. | <input type="checkbox"/> will not have an escrow account because <input type="checkbox"/> you declined it <input type="checkbox"/> your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account. | | | | | | | | | | |
| Negative Amortization (Increase in Loan Amount) Under your loan terms, you <input type="checkbox"/> are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. <input type="checkbox"/> may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property. <input checked="" type="checkbox"/> do not have a negative amortization feature. | <table><tr><th colspan="2">No Escrow</th></tr><tr><td>Estimated Property Costs over Year 1</td><td>Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.</td></tr><tr><td>Escrow Waiver Fee</td><td></td></tr></table> | No Escrow | | Estimated Property Costs over Year 1 | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. | Escrow Waiver Fee | | | | | |
| No Escrow | | | | | | | | | | | |
| Estimated Property Costs over Year 1 | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. | | | | | | | | | | |
| Escrow Waiver Fee | | | | | | | | | | | |
| Partial Payments Your lender <input checked="" type="checkbox"/> may accept payments that are less than the full amount due (partial payments) and apply them to your loan. <input type="checkbox"/> may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan. <input type="checkbox"/> does not accept any partial payments. If this loan is sold, your new lender may have a different policy. | In the future, Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own. | | | | | | | | | | |
| Security Interest You are granting a security interest in 456 Somewhere Ave., Anytown, ST 12345 | | | | | | | | | | | |
| You may lose this property if you do not make your payments or satisfy other obligations for this loan. | | | | | | | | | | | |

Finance Charge

In addition to paying back the amount you are borrowing, you pay a lot of interest over the life of the loan. This is why it is worthwhile to shop carefully for the best loan for your situation.

Annual Percentage Rate (APR)

Your **APR** is your total cost of credit stated as a rate. Your APR is generally higher than your interest rate, because the APR takes into consideration all the costs of your loan, over the full term of the loan.

If anything on the Closing Disclosure is not clear to you, ask your lender or settlement agent, "What does this mean?"

| Loan Calculations | | Other Disclosures | | | |
|--|--------------|---|--|--|--|
| Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled. | \$285,803.36 | Appraisal If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below. | | | |
| Finance Charge. The dollar amount the loan will cost you. | \$118,830.27 | Contract Details See your note and security instrument for information about • what happens if you fail to make your payments, • what is a default on the loan, • situations in which your lender can require early repayment of the loan, and • the rules for making payments before they are due. | | | |
| Amount Financed. The loan amount available after paying your upfront finance charge. | \$162,000.00 | Liability after Foreclosure If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan, <input checked="" type="checkbox"/> state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information. <input type="checkbox"/> state law does not protect you from liability for the unpaid balance. | | | |
| Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate. | 4.174% | Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan. | | | |
| Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount. | 69.46% | Tax Deductions If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information. | | | |

Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

| Contact Information | | | | | |
|------------------------------|--------------------------------------|-----------------|-----------------------------------|------------------------------------|-------------------------------------|
| | Lender | Mortgage Broker | Real Estate Broker (B) | Real Estate Broker (S) | Settlement Agent |
| Name | Ficus Bank | | Omega Real Estate Broker Inc. | Alpha Real Estate Broker Co. | Epsilon Title Co. |
| Address | 4321 Random Blvd. Somecity, ST 12340 | | 789 Local Lane Sometown, ST 12345 | 987 Suburb Ct. Someplace, ST 12340 | 123 Commerce Pl. Somecity, ST 12344 |
| NMLS ID | | | | | |
| ST License ID | | | Z765416 | Z61456 | Z61616 |
| Contact | Joe Smith | | Samuel Green | Joseph Cain | Sarah Arnold |
| Contact NMLS ID | 12345 | | | | |
| Contact ST License ID | | | P16415 | P51461 | PT1234 |
| Email | joesmith@ficusbank.com | | sam@omegare.biz | joe@alphare.biz | sarah@epsilontitle.com |
| Phone | 123-456-7890 | | 123-555-1717 | 321-555-7171 | 987-555-4321 |

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____

CLOSING DISCLOSURE

Co-Applicant Signature _____ Date _____

PAGE 5 OF 5 • LOAN ID # 123456789

Loan calculations, disclosures, and contact information for your files are on page 5 of the Closing Disclosure.

NOW

- Now you've spent time understanding what you need to do and what you need to pay, as a new homeowner.
- Now is the time to step back and feel sure you want to proceed with the loan.

IN THE FUTURE

- If you are not comfortable with your mortgage and your responsibility to make payments, you might not be able to keep your home.
- If you've made a careful decision about what you can afford and the mortgage you wanted, you will be able to balance owning your home and meeting your other financial goals.

Owning your home



Now you've closed on your mortgage and the home is yours.

Owning a home is exciting. And your home is also a large investment. Here's how to protect that investment.

1. Act fast if you get behind on your payments

If you fall behind on your mortgage, the company that accepts payments on your mortgage contacts you. This company is your **mortgage servicer**. Your servicer is required to let you know what options are available to avoid foreclosure. Talk to your mortgage servicer if you get into trouble, and call a housing counselor (see [page 12](#) for contact information). HUD-approved counselors are professionals who can help you, often at little or no charge to you.

Homeowners struggling to pay a mortgage should beware of scammers promising to lower mortgage payments. Only your mortgage servicer can evaluate you for a loan modification. If you suspect a scam you can call (855) 411-2372 or visit consumerfinance.gov/complaint.

2. Keep up with ongoing costs

Your mortgage payment is just one part of what it costs to live in your new home. Your escrow account holds your monthly taxes and homeowner's insurance payments—but if you have no escrow account, you need to keep up with these on your own. Your home needs maintenance and repairs, so budget and save for these too.

IN THIS SECTION

1. Act fast if you get behind on your payments
2. Keep up with ongoing costs
3. Determine if you need flood insurance
4. Understand Home Equity Lines of Credit (HELOCs) and refinancing

3. Determine if you need flood insurance

Flooding causes more than \$8 billion in damages in the United States in an average year. You can protect your home and its contents from flood damage. Depending on your property location, your home is considered either at high-risk or at moderate-to-low risk for a flood. Your insurance premium varies accordingly. You can find out more about flood insurance at [FloodSmart.gov](https://www.floodsmart.gov). Private flood insurance could also be available.

Although you may not be required to maintain flood insurance on all structures, you may still wish to do so, and your mortgage lender may still require you to do so to protect the collateral securing the mortgage. If you choose to not maintain flood insurance on a structure, and it floods, you are responsible for all flood losses relating to that structure.

4. Understand Home Equity Lines of Credit (HELOCs) and refinancing

Homeowners sometimes decide they want to borrow against the value of their home to help remodel or pay for other large expenses. One way to do this is with a **Home Equity Line of Credit** (HELOC). You can learn more about HELOCs at files.consumerfinance.gov/f/201401_cfpb_booklet_heloc.pdf.

Financial counselors caution homeowners against using a HELOC to wipe out credit card debt. If you use a HELOC as a quick fix to a serious spending problem, you could end up back in debt and lose your home.

If you decide to take out a HELOC or refinance your mortgage, the Truth in Lending Act (TILA) gives you the **right to rescind**, meaning you can change your mind and cancel the loan. But you can only rescind a refinance or HELOC within three days of receiving a proper notice of the right to rescind from your lender. You cannot rescind if you are using your HELOC to buy a home.

In the case of a refinance, consider how long it will take for the monthly savings to pay for the cost of the refinance. Review the closing costs you paid for your original loan to purchase the home. Refinancing costs can be about the same amount. A common rule of thumb is to proceed only if the new interest rate saves you that amount over about two years (in other words, if you break even in about two years).

★ Congratulations!

You have accomplished a lot. It is not easy—you should feel proud of the work you've done.



Online tools

CFPB website

consumerfinance.gov

Answers to common questions

consumerfinance.gov/askcfpb

Tools and resources for home buyers

consumerfinance.gov/owning-a-home

Talk to a housing counselor

consumerfinance.gov/find-a-housing-counselor



General inquiries

Consumer Financial Protection Bureau

1700 G Street NW

Washington DC 20552



Submit a complaint

Online

consumerfinance.gov/complaint

By phone

855-411-CFPB (2372);

TTY/TDD 855-729-CFPB (2372);

8 a.m. to 8 p.m. Eastern Time, Monday-Friday

By fax

855-237-2392

By mail

Consumer Financial Protection Bureau

P.O. Box 4503

Iowa City, Iowa 52244



Share your thoughts

[Facebook.com/cfpb](https://www.facebook.com/cfpb)

[Twitter.com/cfpb](https://twitter.com/cfpb)



NODAWAY VALLEY BANK

WIRE FRAUD ALERT

Criminals target social media and email to steal information



This is particularly common in real estate transactions because sensitive data (e.g., social security and bank account numbers, wire instructions) is often sent electronically.

[DO NOT BE THE NEXT VICTIM OF WIRE FRAUD!]

Money wired to a fraudulent account is stolen money that usually is unrecoverable and not covered by insurance.

Verify

Before you wire funds to anyone, personally meet them or call a verified telephone number (not the telephone number in an email) to confirm, both before and after you act!

Notify

Immediately notify your banking institution, governmental officials, and Settlement/Title Company if you believe you are a victim of wire fraud.

Protect yourself from wire fraud in real estate transactions by...

| Verifying Instructions

Verify emailed wire instructions by immediately calling your trusted escrow officer.

| DO NOT Respond To Emails Seeking Personal/Financial Information

Verify by calling an escrow officer immediately.

| Only Trust Your Known Source Of Information

Never direct, accept or allow anyone in the transaction to consent to accept or change wire transfer instructions without first making a direct personal telephone call to verify the identity of the individual providing those instructions.

It is imperative that this verification call be made only to a number which you previously obtained in person (or through other reliable means) from the individual you know and trust; NOT from a number provided in a subsequent email or wiring instructions.

4/23/2024