

HOMEBUYER'S GUIDE



ACRISURE® PARTNER



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Homebuyer's Guide

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*Important Terms are identified in **green bold font** throughout the Homebuyer's Guide and are defined on pages 54 and 55.

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Dear Valued Client,

Champion Title & Settlements, Inc. (“Champion Title”) has created this Homebuyer’s Guide to help give you an overview of the home buying process. At Champion Title, customer satisfaction is always our number one goal. From the moment we open a file to the day we record, Champion Title strives to make the entire settlement process smooth and efficient for our clients. We take great pride in providing exceptional service, and our entire staff is dedicated to maintaining our reputation.

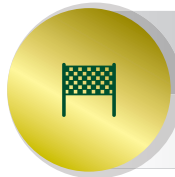
Our team understands that you have many options when it comes to choosing a title company. Here are some facts that set Champion Title apart from the others in our industry:

- You are in good hands when you settle with Champion Title, which is consistently ranked as one of the top title companies in the DC Metro area by the Washington Business Journal.
- We have over 30 years of experience in the title and settlement industry.
- Champion Title continues to provide our clients with individualized attention to service and detail before, during and after the transaction.
- Every Champion Title office has a team of professional and courteous staff on hand to best serve your needs. All settlements in our offices are conducted by experienced settlement agents and attorneys who are always willing to assist you.
- We know how busy you are and how hectic the real estate transaction process can be. Champion Title’s resources allow us to offer flexible closing times. We are even willing to travel – let us come to you!
- Our well-rounded and knowledgeable staff can assist you in real estate transactions across the country. Champion Title is licensed to conduct closings in Washington, DC and in every county in Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, West Virginia, and Wisconsin.
- Champion Title offers a user friendly website with helpful information, frequently asked questions, and useful tools including our Fee Calculator, which allows you to obtain a quick closing cost estimate. Please visit us online at www.ChampionTitle.com.

If you have any questions about this handbook, please do not hesitate to contact us. It would be our pleasure to assist you and we look forward to working with you in the future on your upcoming transaction.

With sincere gratitude,
Champion Title & Settlements, Inc.

YOUR HOME BUYING PROCESS



STARTS HERE



**Find an Agent and
Lender You Trust**

**Gather Financial
Documents (bank
statements, tax
returns)**



**Get Pre-Qualified
with Your Lender**



Loan Application



Contract gets Ratified!



**Champion Title contacts
you with our Welcome
Letter**



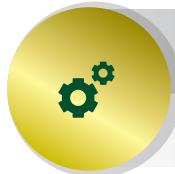
**Contact Info,
Lender Info,
Title Insurance,
Deed Preference**



**Champion Title conducts
title search and coordinates
with Lender**



**Lender continues to
request documents &
information from you**



**Champion Title prepares
Settlement Statement
and Lender sends**



**Settlement
Home Sweet Home!**

GETTING STARTED

YOUR REAL ESTATE AGENT'S ROLE

The home buying process for many people begins with selecting the right real estate agent. Your real estate agent has been trained to provide you with the necessary expertise to find a home perfectly suited for you. Your real estate agent has access to a multiple listing service and will provide you with homes listed for sale that fit your preferred criteria. You will sign a Buyer Broker Agreement with your real estate agent which sets forth the cost for their services and your contractual duties and responsibilities to each other.

You will develop an agency relationship with your agent. This means that the real estate agent has certain duties such as always acting in your best interest and making disclosures required by law. You should note that a seller's agent has certain ethical obligations to a buyer as well. For example, they must reveal known latent material defects regarding the physical condition of a property.

Communication with your real estate agent is extremely important as he or she will help you choose a home that satisfies your budget, needs, and preferences. You will need to discuss what you are looking for in a home with your real estate agent.

How many bedrooms do you want? How many bathrooms? Do you want a backyard? Do you prefer a condo or a townhome? What neighborhoods are you interested in? Be sure to prioritize your needs to ensure your most important wishes are met. Remember, your real estate agent is an expert in finding homes for people so it is important to keep an open mind!

Finally, your real estate agent will advise you to get **pre-qualified** from a lender in order to determine your potential loan amount and loan type. Learning this information will help you with the home buying process as it will fine tune your search criteria and give you a better idea of the price range you can afford.

CHOOSING A LENDER

Selecting the right lender to assist you with financing your purchase is a very important part of the home buying process. If you do not already have a lender in mind, your real estate agent may be able to recommend one. While interest rates and points are important when shopping for a loan, you should also consider a lender's reputation.

It is essential that you find a loan officer who you can trust because you will be providing very personal information to your loan officer. Because of stringent regulations that lenders must follow, you will be asked for a lot of financial information. It will speed up the process if you gather as much information as possible in advance, including copies of tax returns, bank statements, pay stubs, credit card statements, as well as contact information for your employer.

Communication with your lender is also of the utmost importance. You will be in contact with them until the day of settlement answering questions and providing them with requested documentation. It is imperative that you respond promptly to requests from your lender to ensure your loan gets approved as quickly as possible.

After you fill out your loan application, you will receive a **Loan Estimate (LE)** from your lender summarizing your closing costs as well as giving you an estimated monthly payment (see Exhibit A). This usually arrives within 3 business days of your filling out the loan application. Your estimated monthly payment will include P.I.T.I. - Principal, Interest, Taxes, and Insurance. When calculating your house budget, you will also need to consider other monthly fees associated with the home including Homeowner's Association dues, Condominium Association dues, and utilities.



Champion Tip: *You may be asked to provide and sign the same document several times for your lender. Be prepared for this – lenders must follow certain regulations and this is a normal part of the process.*

THE CONTRACT

Your real estate agent will draft the **contract** with terms and conditions that are acceptable to you. This is a legally binding document. You should review it in detail with your real estate agent. As your contract is drafted, there will be a few important items that will need to be determined such as your loan type, loan amount, amount of **earnest money deposit (EMD)**, amount of seller concessions, if any, amount seller will contribute to buyer broker compensation, if any, whether there will be a home warranty and who will be paying for it, whether there will be a home inspection or **appraisal**, and of course the proposed sales price.



Champion Tip: *The EMD is typically held by the Settlement Agent (title company) selected by the Buyer and will be applied as a credit on your Settlement Statement.*

In the contract, there is also space to fill out what is included in the sale of the property. Certain laws provide that all terms in connection with the conveyance of land be in writing. This means the contract, unless amended in writing, contains the final and entire agreement between the parties, regardless of any other terms or contingency representations orally made. Rely on your real estate agent's expertise in writing the offer. They have your best interest in mind and have the experience to write a competitive offer.

Any addenda to the contract will contain supplemental terms that supersede any information contained in the body of the contract itself. For example, addenda may include information such as contract contingencies and deadlines, whether the property is located within a development that is subject to homeowners or condominium association laws or financing provisions, and other statutory disclosures.

Once the contract has been drafted, your real estate agent will submit the offer to the seller. Negotiations are still possible until the contract has been signed by the seller and **ratified**. Your agent will review all negotiations with you and will provide their expert advice.

If your contract is accepted, congratulations! You are on the way to purchasing your new home!

UNUSUAL SITUATIONS

Short Sales: A **short sale** is a transaction in which the proceeds from the sale of the property are insufficient to pay all of the seller's **lien** creditors (and the seller does not have other assets to make up the difference). Short sales must be negotiated and ultimately approved by the seller's lender.

REOs/Foreclosures: A **Real Estate Owned (REO)** property is a property that has gone through a **foreclosure** sale and was purchased by the bank that foreclosed on the property. The property is now owned by the bank and is being sold on the open market. You may be able to pay less for these types of properties than a typical sale however; these transactions can also take longer with the property likely being sold "AS IS." Again, if you are interested in making an offer on a foreclosed property, talk with your real estate agent in detail about the process.

Other Types of Contracts: You may see different types of contracts. The most common is the Residential Sales Contract. If you are buying new construction or an REO property, these transactions will often have their own unique contracts. Some contracts shift fees that are typically paid for by the seller to the buyer. This may not be a deal breaker, but you do want to be aware of what you are going to be paying for at settlement. This is another reason why it is very important that you review the contract terms and details with your real estate agent.

FREQUENTLY ASKED QUESTIONS – GETTING STARTED

Should I contact Champion Title directly?

As soon as Champion Title receives your ratified contract from your real estate agent, we will send you a welcome letter and several time-sensitive forms that will need to be filled out. If you have any questions about the forms, or about the settlement process, you can always contact Champion Title. We are here to help!

What will I need to provide to Champion Title?

Champion Title will need all of your contact information, marital status (for the Deed, discussed in Pre-Settlement section, page 8), social security number(s), your lender's name and contact information, homeowner's insurance carrier, and whether you would like a survey taken of the property.

How long does the settlement process take?

This will depend on the type of sale, the type of loan, and other factors specific to your transaction. Short sales and foreclosures can take longer than traditional sales, however each transaction is unique. Your real estate agent should provide you with realistic expectations as to when your settlement will occur.

PRE-SETTLEMENT

When Champion Title receives the ratified contract from your real estate agent, we will begin the process to ensure that your title and settlement service needs are met. Our attorneys will review your contract to make sure we have all the necessary addenda, information, and contacts needed to open your file and begin preparing for your settlement. Once you and your real estate agent determine the time and place for settlement, Champion Title will schedule accordingly and notify all parties.

WELCOME PACKET/PURCHASER INFORMATION SHEET

Your Champion Title processor will send you a welcome packet with documents that will explain certain aspects of the purchasing process and ask you to provide information.

One of the most important documents in this packet is the Purchaser Information Sheet. Please complete this fully and return it to us as soon as possible. We especially need you to provide us your legal name as you would like it to appear on the Deed. We need to be sure that the name listed on the Deed is the same name the lender is using to prepare your loan documents. Please provide us with your complete social security number. We will not publish or share this information, but we may need it for clearing title. In addition, you should provide us with any special credits from your lender, seller, or real estate agent which you are aware of, and let us know if you have questions about or wish to decline the owner's title insurance. (See Exhibit B) Lastly, indicate if you would like a boundary survey or house location drawing (further discussed on page 10).

TITLE INSURANCE

We understand that your home is possibly the largest financial investment you will make, but the investment is not just financial. Buying a home is also an investment in the future for you and your family. When you buy a home, or any property for that matter, you expect to enjoy certain benefits from ownership. For example, you expect to be able to occupy and use the property as you wish, to be free from undisclosed liens not created or agreed to by you, and to be able to freely sell or pledge your property as security for a loan.

Title Insurance provides more than safeguards for the title to your property – it provides you with peace of mind by taking the risk out of acquiring title to your property. Title issues include forgery, fraud, prior claims of ownership, judgments, liens, unpaid past property taxes and mechanic's liens, just to name a few.

Throughout the years, your new property may have changed hands many times through sale, inheritance, foreclosure or bankruptcy. Each transfer was an opportunity for an error in the chain of title to arise. If an error occurred and has never come to light, it puts the title to your property in jeopardy. You might ask yourself, if the title search came back free and clear of defects, what could go wrong that might create the need for me to purchase an owner's title policy?

While we are diligent in finding and removing all issues of record that could cloud the title, there are many situations that cannot be discovered. Perhaps documents were mis-recorded or misfiled; a will was not properly probated and valid heirs were not accounted for in a prior deed and still potentially own the property; unsatisfied claims were not shown on the record; forgery and/or fraud was committed during a prior conveyance; spousal rights were not protected; deeds were executed under expired or false powers of attorney. Serious issues can arise that are not always discoverable through a search of the title.

There are two types of title insurance policies: Lender's and Owner's. When you obtain a loan, the lender will require that you purchase a **Lender's Title Insurance policy** which will protect ONLY the lender should there be a claim against the title to your property. You will pay for a Lender's Title Insurance policy at closing and the premium you pay will cover the lender up to the amount of the loan should a claim arise against the title.



Champion Tip: *Owner's and Lender's Title Insurance is calculated based on the sales price and loan amount, respectively, and is set by the underwriter or the state insurance administration.*

In order to protect YOUR investment, purchase an optional **Owner's Title Insurance policy**. Should a valid claim be made against the title to your property, the title insurer would protect you as the policyholder by paying the claim, covering legal costs associated with defending your title, or paying you for your interest in the property within the policy limits. Owner's Title Insurance is a one-time purchase that is paid at settlement and will protect your interest in the property for the rest of your life, even if you sell the property and are later sued for a title defect.



Champion Tip: *Your Owner's Title Insurance policy will be mailed to you about 6-8 weeks after settlement. Since the policy protects you throughout your lifetime, be sure to keep it in a safe place!*

BASIC VS. ENHANCED TITLE INSURANCE (Exhibit B)

There are two types of Owner's Title Insurance policies: basic and enhanced. The basic policy covers all of the basic potential problems discussed above including, but not limited to, forgery, fraud, prior claims of ownership, judgments, liens, unpaid past property taxes and mechanic's liens. The enhanced policy, also known as the Eagle or Advantage policy, while costing more, includes coverage not found in the basic policy. Some of the added coverage includes protection for forgery occurring AFTER the policy issue date, removal of encroaching structures, removal or remedying of structures that were constructed without proper building permits or that do not comply with local zoning laws, management of restricted access to and from your property, and, importantly, inflation protection that increases your coverage by 10% per year for the first five years up to a maximum of 150% of the original purchase price. The Enhanced Policy is automatically included in the closing costs on your Loan Estimate. For a comparison of the two policies, refer to Exhibit B.



Champion Tip: *You may be able to save up to 30% off the cost of your Owner's Title Insurance if the seller can provide Champion Title with a copy of their Owner's Title Insurance policy. Depending on state and underwriting requirements, the policy may need to be less than 10 years old to qualify. Be sure to have your agent check with the listing agent!*

TITLE SEARCH

Champion Title will order a title search (or abstract) to examine the chain of ownership of your property. In this process, the title abstractor will look at the deeds, deeds of trust and other liens and encumbrances recorded in the courthouse. In order for the title insurance underwriter to issue a title insurance policy, they must be assured that the property is free from all liens and judgments that could affect the lender or owner's interest in the property. They will review the abstract and issue a title commitment or binder which lets Champion Title know of any potential issues we need to address to clear title. We want to establish that there are no gaps in the chain of title, no unreleased deeds of trust, no overdue taxes, and no judgments against the parties, among other issues that are checked during the title examination process.

When these searches have been completed, Champion Title issues a title commitment to your lender on behalf of the title insurance underwriter, stating the conditions under which we will insure the title. After closing, we also issue the final Lender and Owner Title Insurance policy on behalf of the title insurance underwriter.

SURVEY

If you request it, your Champion Title processor will also order a survey. A survey will show the location of any improvements on the property (such as the house, fence, shed, etc.) and may include setback lines or easements that might prevent or diminish usage of certain parts of the property. If requested, you will receive a copy of your survey at settlement. For an upcharge, you may opt for a boundary survey, in which the surveyor shows the precise boundaries of your property and stakes the corners of your property. A boundary survey might be necessary if there is a question about the property boundaries and/or if you are planning to build a new structure or expand an existing structure and need a more accurate understanding of where the property lines are located.



Champion Tip: *You will NOT need to order a survey if you are purchasing a condominium.*

TYPES OF TENANCY

One of the documents you will receive from your Champion Title processor asks how you would like to hold title to the property. Please note that there are several ways to hold title.

SOLE OWNER: An undivided ownership interest by one person with no other party having a right or interest in or to the property.

TENANTS BY THE ENTIRETY: If you and your spouse are purchasing the property together, you may hold title as tenants by the entirety, which is reserved for married persons. This tenancy provides for survivorship so that the property will pass to the surviving spouse at the death of one spouse. It also prevents most judgments against one of the spouses from attaching to the property.



Champion Tip: *Any judgment against both parties will attach to the property, i.e. tax liens, HOA/condo liens.*

JOINT TENANTS: An equal ownership interest by all parties named on the deed with rights of ownership vesting in the survivor of all owners. This tenancy provides for survivorship so that the property will pass to the surviving owners at the death of one owner.

Example: Andy, Beth and Charles own Black Acre as joint tenants. If Beth dies, Andy and Charles will each own the property as surviving owners.

TENANTS IN COMMON: An individual divided ownership interest in a portion of the property (either equal or unequal) with another party and sharing a common interest and right to use as to the whole. Tenants in Common does not provide for survivorship rights. Upon the death of an owner, the deceased's interest in the property is passed to his/her heirs or through his/her estate plan.

Example: Andy and Charles own Black Acre as Tenants in Common each with a 50% interest in the property. If Andy passes away, his 50% interest in the property will pass to his heirs or through his estate plan. The heirs or the beneficiaries of his estate plan will then own 50% of the property along with Charles who still owns 50% of the property.



Champion Tip: *Tenants in Common is the tenancy that is created if another tenancy is severed.*

For example, if a married couple holds title as tenants by the entirety and gets divorced, that tenancy by the entirety is severed and the former spouses automatically become tenants in common.

INSPECTIONS

Your real estate agent will guide you through the inspection options available for your transaction. In addition, there are certain inspections that may be required by your lender. Some typical inspections performed are home, pest, well and septic, and radon inspections.

A home inspection usually takes two to three hours. The purpose of the home inspection is to give you a better understanding of the physical condition of the structure. Your inspector will provide you with a written report of the findings. Some items the inspector will look for include: interior (non-cosmetic), foundation and basement, framing and structure, roof and attic, chimney, kitchen appliances, laundry, bathrooms, major household systems (plumbing, electrical, air conditioning, heating) and the garage. The inspector should explain any problems found, why they occurred and what repairs will need to be done. This is not a warranty of any kind.

Problems that are found through various inspections may be addressed by asking the seller to repair the item(s) or for a credit on the Settlement Statement (subject to lender approval). An addendum must be executed with any agreements reached between you and the seller.

WORKING WITH YOUR LENDER

Prior to your settlement, Champion Title will work with your lender and real estate agents to provide fees that will assist your lender with preparing your **Closing Disclosure** (Exhibit D). Once your loan is finalized, your lender will send you the Closing Disclosure itemizing your loan details and closing costs. Your lender will also send Champion Title closing instructions containing the details of your loan, which we use to prepare a **Settlement Statement** (Exhibit C) for the parties to review at settlement. The Settlement Statement contains figures for both the buyer and the seller and comprises information from your lender (your loan details), both real estate agents (commission figures, credits, reimbursements), the sales contract (sales price, any seller credits, amount of your earnest money deposit, when and where settlement will take place), Champion Title (our fees, title insurance, title services, settlement costs), the county or city wherein the property is located (taxes, recording fees and assessments), and homeowners or condominium associations, if applicable. We encourage you to review your Closing Disclosure prior to settlement and reach out to your lender to discuss any questions you may have regarding the closing costs. We are also available to assist with questions that pertain to fees not related to the loan, so please do not hesitate to give us a call a few days before settlement.

WALK-THROUGH

The walk-through inspection is your opportunity, prior to settlement, to ensure that the property is in good condition and that any agreed upon repairs have been made. This is typically done within a few days of settlement. If problems are encountered during the walk-through, the real estate agents can work together to reach a resolution that is acceptable to both parties. If the seller will be occupying the property after settlement by use of a post-settlement occupancy agreement, another final walk-through inspection will be conducted once the sellers have moved out.

FREQUENTLY ASKED QUESTIONS - PRE-SETTLEMENT

Who chooses the settlement company?

The purchaser has the right to choose their settlement company, which will be identified in the contract.

Who does Champion Title represent?

Champion Title does not represent or act as an advocate for any party, such as the buyer, seller, or the lender. We simply represent the transaction as a whole, ensuring that the terms of contract are satisfied and that the property is free of title defects.

Who do I contact if I have any questions prior to closing?

Please feel free to call the processor from Champion Title that has been assigned to your file, or any Champion Title manager at the office in which your file is being processed.

If I am escrowing for taxes and the homeowner's insurance, do I have to worry about paying the bills as they become due?

Typically, it is your lender's responsibility to ensure that the items you escrow for are paid. Your tax and homeowner's insurance bills should be sent directly to your lender. If you do receive a bill, contact your lender. The situation may vary if you purchase new construction.

If I pay one year of the homeowner's insurance upfront at settlement, why is the lender also collecting it as part of my initial escrow deposit?

The one year's worth of the homeowner's insurance that is collected upfront covers the buyer for the year following the settlement date. In addition, your lender requires a few months' worth of escrowed homeowner's insurance to be collected at settlement to ensure that when the homeowner's insurance is due again in a year, there are sufficient funds in your **escrow** account to make the lump sum payment. There should always be a small cushion of funds available in your escrow account so as to ensure you do not have an underfunded escrow account.

SETTLEMENT

PARTIES TO THE SETTLEMENT

Many different parties are involved in the purchase of your new home. In addition to you and your agent, the settlement also involves the sellers and the listing agent, the settlement attorney or licensed settlement agent from Champion Title and your lender. The processor from Champion Title who has been assigned to your file will help you coordinate a settlement date, time, and location.



Champion Tip: *If you cannot attend settlement, please let your processor know as soon as possible. We may be able to prepare a power of attorney to allow someone else to sign documents on your behalf or we may be able to send you the documents and have you sign them remotely in front of a notary public. Either of these options will require approval from your lender and our title insurance underwriter.*

TIMING

Your settlement may take place on an agreed upon date by all the parties subject to the contract. Certain transactions, such as short sales and foreclosures, take longer since they require approval from the banks that have an interest in the property.



Champion Tip: *Transfer all of the utilities into your name and make sure your homeowner's insurance is effective on the settlement date. Timely transfer of utilities will help you avoid turn off/turn on fees that some companies may charge!*

AROUND THE TABLE

When you arrive at Champion Title for your settlement, you will be asked for a form of government-issued photo identification such as a passport, driver's license, or military ID. If you plan on wiring your funds, wiring instructions will be provided to you before your settlement from your processor at Champion Title. **Wire transfers are much preferred as they provide efficient and accurate transfer of funds on or before you get to the closing table.** You should initiate the wire at least 24 hours in advance of settlement to ensure the funds arrive in time. If you have not wired your funds prior to settlement, you will need to bring a cashier's check for your down payment and closing costs.



Champion Tip: *Remember to bring your checkbook to closing. We can accept personal checks up to \$3,000 for any closing costs that may not have been factored into your initial estimate. If funds are to be disbursed to you, you can provide Champion Title with a voided check at the table for the money to be wired to you. Alternatively, we can send a check to you after settlement.*

The settlement attorney or licensed settlement agent from Champion Title will start your settlement by reviewing the Settlement Statement (see attached Exhibit C). The settlement statement is an itemization of all of the funds paid and received by the parties to the transaction. The fees itemized on the settlement statement will be identical to the fees you see on your final Closing Disclosure prepared by your lender and delivered on or before the date of settlement.



Champion Tip: *If you have a question about any fees or documents, please ask your settlement agent or an attorney from Champion Title. Our job is to help you understand what you are signing.*

Champion Title's legal counsel prepares some of the documents for your closing. One of the most important of these documents is the Deed, which transfers the title of the property from the seller to the buyer. You should review the Deed to make sure your name and the form of ownership is correct.

The majority of the documents at your closing are prepared by your lender. The settlement attorney or licensed settlement agent from Champion Title will review your loan documents with you. One of the most important of these documents is the **Promissory Note** which describes the terms of your new loan including the loan amount, loan term, interest rate and whether the interest rate is fixed or adjustable.

Once all of the documents have been signed and we have received the money from all parties involved and your lender, the seller will give you the keys and you can move into your new home!



Champion Tip: Settlement is deemed complete once Champion Title is in receipt of all the seller-signed documents, all of the buyer-signed documents, all money from the lender, the buyer, the seller (if applicable), and any other 3rd party providing funds as part of the settlement (i.e., relocation company, broker credits, employer credit). Keys may not be released until all of these items are provided.

FREQUENTLY ASKED QUESTIONS - SETTLEMENT

How do I know how much money to bring to closing?

Your lender will provide you with your final Closing Disclosure prior to settlement. The amount needed for closing will be reflected there. Be sure to bring your checkbook to closing, as there is always a chance for minor last-minute changes.

What happens after the settlement process?

The Deed and (if applicable) Deed of Trust are recorded at the county courthouse in which the property is located. About six to eight weeks after settlement, the buyer will receive an original copy of their Deed and their Owner's Title Insurance policy (if purchased) in the mail.

UNUSUAL CIRCUMSTANCES

POWER OF ATTORNEY

Sometimes events outside of your control will make you unavailable to attend the closing for your new home. Your closing documents must be signed on the settlement date. Your lender may allow someone to sign the closing documents on your behalf using a **Power of Attorney**. Both your lender and Champion Title will need to approve the power of attorney before you can use it for settlement. You will have to provide the original Power of Attorney to Champion Title so that it may be recorded in the land records. If you think you will need to use a power of attorney for your closing, it is best to give everyone as much advance notice as possible.

DIVORCE

If the sellers of your new home are going through a divorce, Champion Title should be aware of the pending divorce and prepare all of the seller documents accordingly.

TRANSLATOR – FOREIGN LANGUAGE OR SIGN LANGUAGE

Champion Title will work to accommodate your need for a translator. If you are not comfortable conducting the settlement in English, Champion Title may be able to arrange for a translator. This may incur an additional fee. Please provide us with advance notice should a translator be needed at closing.

If you are deaf and require a sign language translator, Champion Title is legally required to accommodate your request. Always make sure to give Champion Title plenty of advance notice so they can make the proper arrangements.

MILITARY HOMEBUYERS

Financing

Current and former members of the military may have access to the benefit of a Veterans Administration (VA) loan to obtain a loan for the full purchase price of the property and alleviate the need to come up with a large down payment. Your lender will walk you through the necessary paperwork. Most veterans will have to pay a “funding fee” at settlement as an additional cost of obtaining a VA loan. The amount of the funding fee is a percentage of the loan amount, and varies depending on whether the veteran is using their VA loan for the first time, and whether the veteran is active duty or not. The veteran can often “roll” the funding fee into the loan, which may result in a loan amount higher than the purchase price.

Active Duty Considerations

If you are an active duty military member, your basic allowance for housing (BAH) and basic allowance for subsistence (BAS) should help guide your home buying process. It will tell you a predetermined amount of money you can reasonably afford as a mortgage payment.

You may want to consider when your next **permanent change of station (PCS)** is when determining the type of financing you use to purchase your home. If you know you will likely need to sell your home within a few years, you may not build a lot of equity in your home before you have to sell it. You may want to consider putting a down payment on your new home so that you will not have to bring money to the table when you sell your home to pay your closing costs.

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features? 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	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$206 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

Costs at Closing	
Estimated Closing Costs	\$8,054 Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Estimated Cash to Close	\$16,054 Includes Closing Costs. <i>See Calculating Cash to Close on page 2 for details.</i>

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097

B. Services You Cannot Shop For	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender's Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261

D. TOTAL LOAN COSTS (A + B + C)	\$5,672
--	----------------

Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	

F. Prepays	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211

H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---	----------------

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$8,054
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$16,054

Additional Information About This Loan

LENDER Ficus Bank
NMLS/___ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/___ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$56,582	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$15,773	Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we <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.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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

Co-Applicant Signature

Date

OWNER'S TITLE POLICY COMPARISON

	BASIC ¹	ENHANCED ²
BASIC PROTECTION		
ASSUMES COMPLIANCE WITH POLICY UNDERWRITER REQUIREMENTS FOR ISSUANCE OF APPLICABLE POLICY		
Claims of ownership by third party	●	●
Fraud or forgery in chain of title that occur prior to closing	●	●
Unpaid mortgage(s), liens or encumbrances on the title (utilities, HOA dues, state/federal taxes, mechanic's lien).	●	●
Errors in closing documents or recording	●	●
Errors in eClosing or rejection of electronic signature	●	●
Unmarketability of title (where legal issues prevent property from being sold or transferred easily)	●	●
Legal access to and from the land	●	●
Restrictive covenants limiting your use of the property or land	●	●
Parties in possession of the property not disclosed by public records (<i>e.g. tenants, adverse possession</i>)	●	●
Coverage extends from closing to the final recording of deed (<i>aka Gap Coverage</i>)	●	●
Coverage continues as long as you or your heirs have an ownership interest in the property	●	●
ENHANCED PROTECTION		
Actual vehicular and pedestrian access, based upon a legal right		●
Unrecorded easements affecting property rights or access		●
Encroachment of neighboring buildings onto your land		●
Correction and removal of a preexisting HOA violation(s)		●
Loss of title due to seller violation of a covenant, condition, or restriction		●
Inability to obtain building permit due to violation of existing subdivision law or regulation, or violation must be corrected ³		●
Forced removal or remedy of existing structure because it was built without a proper building permit ³		●
Forced removal or remedy of existing structure due to violation of existing zoning law or regulation ³		●
Forced removal of existing structure(s) due to encroachment onto neighbor's land ³		●
Forced removal of existing structure(s) due to encroachment onto an easement or over a setback line		●
Land cannot be used as a single-family residence due to violation of an existing zoning law or zoning regulation		●
Damage to existing structures due to use of easement affecting the land		●
Damage to existing improvements due to extraction of minerals, water, or other substance from land surface		●
Residence not located at the address stated in the policy		●
Discriminatory land-use restriction		●
POST-CLOSING COVERAGES		
Inflation protection - automatic increase in policy amount up to 150% of the policy amount over five years		●
Fraud or forgery affecting ownership rights		●
Adverse possession (unauthorized leases, contracts or options)		●
Ownership claims		●
Post-policy mechanic's lien protection		●
Boundary line and encroachment disputes		●
Unrecorded tax or special assessments		●
Easements or restrictions affecting your use of the land		●
Supplemental taxes due to prior construction, change in ownership or land use		●
Rent and relocation expenses, if you cannot use your home because of a claim covered by the policy		●

¹ The ALTA Owner's Policy may be used on residential and commercial transactions.

² The Homeowner's Policy may be used on purchase or refinance transactions, improved property in a platted residential subdivision, a completed residential condominium unit, or improved residential property with a metes/bounds legal description that does not exceed 25 acres of land. Not applicable for construction loans or property that is vacant land. The Proposed Insured must be a "natural person." No corporations, LLCs, or other entities.

³ Subject to deductible and maximum dollar limit of liability shown in Schedule A.

This chart is intended for summary comparison only and is not a full explanation of coverage afforded by the ALTA Owner's Title Insurance Policy. There are exceptions, exclusions, and conditions to coverage that limit or narrow the coverage afforded.

American Land Title Association	ALTA Settlement Statement - Combined Adopted 05-01-2015
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File No./Escrow No.:	Title Company Name	Title Company
Print Date & Time:	ALTA Universal ID	Logo
Officer/Escrow Officer:	Title Company Address	
Settlement Location:		

Property Address: Buyer: Seller: Lender: Settlement Date: Disbursement Date: Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Financial		
		Sales Price of Property		
		Personal Property		
		Deposit including earnest money		
		Loan Amount		
		Existing Loan(s) Assumed or Taken Subject to _____		
		Seller Credit		
		Excess Deposit		
		Prorations/Adjustments		
		School Taxes from (date) to (date)		
		County Taxes from (date) to (date)		
		HOA dues from (date) to (date)		
		Seller Credit		
		Loan Charges to (lender co.)		
		Points		
		Application Fee		
		Origination Fee		
		Underwriting Fee		
		Mortgage Insurance Premium		
		Prepaid Interest		

		Other Loan Charges		
		Appraisal Fee to _____		
		Credit Report Fee to _____		
		Flood Determination Fee to _____		
		Flood Monitoring Fee to _____		
		Tax Monitoring Fee to _____		
		Tax Status Research Fee to _____		
		Impounds		
		Homeowner's Insurance _____ mo @ \$ _____/mo		
		Mortgage Insurance _____ mo @ \$ _____/mo		
		City/town taxes _____ mo @ \$ _____/mo		
		County Taxes _____ mo @ \$ _____/mo		
		School Taxes _____ mo @ \$ _____/mo		
		Aggregate Adjustment		
		Title Charges & Escrow / Settlement Charges		
		Owner's Title Insurance (\$ amount) to _____		
		Owner's Policy Endorsement(s) _____		
		Loan Policy of Title Insurance (\$ amount) to _____		
		Loan Policy Endorsement(s) _____		
		Title Search to _____		
		Insurance Binder to _____		
		Escrow / Settlement Fee to _____		
		Notary Fee to _____		
		Signing Fee to _____		
		Commission		
		Real Estate Commission to _____		
		Real Estate Commission to _____		
		Other		
		Government Recording and Transfer Charges		
		Recording Fees (Deed) to _____		
		Recording Fees (Mortgage/Deed of Trust) to _____		
		Recording Fees (Other) to _____		
		Transfer Tax to _____		
		Transfer Tax to _____		
		Payoff(s)		
		Lender: Payoff Lender Co.		
		Principal Balance (\$ amount)		
		Interest on Payoff Loan (\$ amount/day)		
		Additional Payoff fees/Reconveyance Fee/Recording Fee/Wire Fee		
		Lender: Payoff Lender Co.		
		Principal Balance (\$ amount)		

		Interest on Payoff Loan (\$ amount/day)		
		Additional Payoff fees/Reconveyance Fee/Recording Fee/Wire Fee		
		Miscellaneous		
		Pest Inspection Fee to _____		
		Survey Fee to _____		
		Homeowner's insurance premium to _____		
		Home Inspection Fee to _____		
		Home Warranty Fee to _____		
		HOA dues to _____		
		Transfer fee to Management Co.		
		Special Hazard Disclosure		
		[Utility] Payment to _____		
		Assessments		
		School Taxes		
		City/town taxes		
		County Taxes/County Property taxes		
		Buyer Attorney fees to _____		
		Seller Attorney fees to _____		
Seller			Borrower/Buyer	
Debit	Credit		Debit	Credit
		Subtotals		
		Due From/To Borrower		
		Due From/To Seller		
		Totals		

Acknowledgement

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement. We/I authorize _____ *title company name* _____ to cause the funds to be disbursed in accordance with this statement.

Buyer

Buyer

Seller

Escrow Officer

Closing Disclosure

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

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$180,000

Transaction Information

Borrower Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve Cole and Amy Doe
 321 Somewhere Drive
 Anytown, ST 12345
Lender Ficus Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type ☒ Conventional ☐ FH/
☐ VA ☐ _____
Loan ID # 123456789
MIC # 000654321

Loan Terms

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$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 <i>Amount can increase over time</i>	+	206.13	+	206.13
Estimated Total Monthly Payment	\$1,050.26		\$967.91	
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>	\$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 <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	
			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. <i>See page 2 for details.</i>
Cash to Close	\$14,147.26 Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

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.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
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. Prepays	\$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			\$750.00	
04 Home Warranty Fee to XYZ Warranty Inc.			\$450.00		
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					

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

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	

Adjustments

05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing

01	Deposit	\$10,000.00
02	Loan Amount	\$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to	
04		
05	Seller Credit	\$2,500.00

Other Credits

06	Rebate from Epsilon Title Co.	\$750.00
07		

Adjustments

08	
09	
10	
11	

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing

01	Excess Deposit	
02	Closing Costs Paid at Closing (J)	\$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to	
04	Payoff of First Mortgage Loan	\$100,000.00
05	Payoff of Second Mortgage Loan	
06		
07		
08	Seller Credit	\$2,500.00
09		
10		
11		
12		
13		

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$115,665.04

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

- ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
- ☒ will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

- ☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- ☒ does not have a demand feature.

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.

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

- ☐ 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.
- ☐ 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.
- ☒ do not have a negative amortization feature.

Partial Payments

Your lender

- ☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- ☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- ☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

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.

Escrow Account

For now, your loan

- ☒ 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.

Escrow		
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> 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.

- ☐ will not have an escrow account because ☐ you declined it ☐ 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.

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		

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.

Loan Calculations

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
Finance Charge. The dollar amount the loan will cost you.	\$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
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%



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

Other Disclosures

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.

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.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- ☒ 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.
- ☐ state law does not protect you from liability for the unpaid balance.

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.

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.

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

Co-Applicant Signature

Date

Your home loan toolkit

A step-by-step guide



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.

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?"

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.

\$	÷	\$	× 100 =	%
My estimated total monthly home payment (from step 1)		My total monthly income before taxes		Percentage of my income going toward my monthly home payment

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: \$



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	= \$

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 (See section D on the second page of your Loan Estimate.)	\$	\$	\$

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.

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.

You can find more information about your rights and how to submit a complaint with the CFPB at consumerfinance.gov/fair-lending.

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.

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.

You could learn more about your loan officer at nmlsconsumeraccess.org.

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	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #	12-3456		321 Somewhere Drive		
Property	456 Somewhere Ave	Lender	Anytown, ST 12345	Loan ID #	123456789
	Anytown, ST 12345		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 <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78 NO
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 <i>Amount can increase over time</i>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> <i>See page 4 for details</i>	\$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 <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>
		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.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
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. Prepays	\$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			\$750.00	
04 Home Warranty Fee to XYZ Warranty Inc.			\$450.00		
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

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)

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.

ON PAGE 3 OF 5

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.

ON PAGE 4 OF 5

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 ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☒ will not allow assumption of this loan on the original terms.

Demand Feature

Your loan ☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
☒ does not have a demand feature.

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.

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you ☐ 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.
☐ 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.
☒ do not have a negative amortization feature.

Partial Payments

Your lender ☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
☐ does not accept any partial payments.
 If this loan is sold, your new lender may have a different policy.

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.

Escrow Account

For now, your loan

☒ 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.

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.

☐ will not have an escrow account because ☐ you declined it ☐ 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.

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		

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.

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.

ON PAGE 5 OF 5

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?"

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)

HOMEBUYER'S GUIDE IMPORTANT TERMS

Addenda (a plural of addendum): A list of items to be changed, added, or removed within a written contract.

Appraisal: Practice of determining the value of the real property.

Closing Disclosure: A five-page form that is provided by your lender and contains final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs in order to get your mortgage (closing costs).

Contract: An agreement having a lawful object entered into voluntarily by two or more parties, each of whom intends to create one or more legal obligations between them. The elements of a contract are “offer” and “acceptance” by “competent persons” having legal capacities, who exchange “consideration” to create “mutuality of obligation.”

Deed: A legal instrument in writing which passes, affirms or confirms an interest, right, or property and that is signed, attested, delivered, and in some jurisdictions sealed. It is commonly associated with transferring title to property.

Deed of Trust: A deed wherein legal title in real property is transferred to a trustee, which holds it as security for a loan (debt) between a borrower and lender.

Earnest Money Deposit: Specific form of security deposit made in some major transactions such as real estate dealings.

Escrow: An arrangement made under contractual provisions between transacting parties, whereby an independent trusted third party receives and disburses money or documents for the transacting parties, with the timing of such disbursement by the third party dependent on the fulfillment of contractually agreed conditions by the transacting parties.

Foreclosure: Legal process in which a lender attempts to collect the balance of a loan from a borrower who has stopped making payments by forcing the sale of a home.

Loan Estimate (GFE): A Loan Estimate is a three-page form that you receive from your lender after applying for a mortgage. The Loan Estimate provides you with important information, including the estimated interest rate, monthly payment, and total closing costs for the loan. The lender must provide you a Loan Estimate within three business days of receiving your application.

Settlement Statement: A form used to itemize services and fees charged to the buyer and seller as part as the real estate transaction.

Joint Tenants: An undivided equal ownership interest by all parties named on the deed with the rights of ownership vesting in the survivor of all owners.

Lender's Title Insurance Policy: An insurance policy, which protects the lender against claims, and losses that may arise if the title is unmarketable or defective.

Lien: A form of security interest granted over an item of property to secure the payment of a debt or performance of some other obligation. The owner of the property, who grants the lien, is referred to as the lienor and the person who has the benefit of the lien is referred to as the lienee.

Owner's Title Insurance Policy: An insurance policy, which protects the owner of real estate against loss occasioned by defects, liens against, or other conditions rendering the owner's title to the property unmarketable or defective.

Permanent Change of Station (PCS): The official relocation of an active duty military service member — along with any family members living with her or him — to a different duty location, such as a military base. A permanent change of station applies until mooted by another PCS order, completion of active duty service, or some other such preemptive event.

Power of Attorney: A written document in which one person appoints another person to act as a representative on their behalf.

Pre-Qualification: The process whereby a loan officer takes information from a borrower and makes a tentative assessment of how much the lending institution is willing to lend them.

Promissory Note: A written promise to repay a specified sum of money plus interest at a specified rate and length of time to fulfill the promise.

Ratified: To sign or give formal consent to a contract or agreement, making it officially valid.

Real Estate Owned (REO): A class of property owned by a lender - typically a bank or government agency after an unsuccessful sale at a foreclosure auction.

Short Sale: The sale of a home for less than the balance remaining on the mortgage to pay off all or a portion of the mortgage balance.

Sole Ownership: An undivided ownership interest by one person with no other party having a right or interest in or to the property.

Statute of Frauds: Requirements that certain kinds of contracts be memorialized in a signed writing with sufficient content to evidence the contract.

Survey: The science of accurately determining the three-dimensional position of points and the distance and angles between them on the surface of the Earth. These points are used to establish land maps and boundaries for land owners and the government.

Tenancy: See forms of ownership.

Tenants by the Entirety: An undivided ownership for spouses, with the right to the entire property passing to the surviving spouse upon the death of one (1) spouse.

Tenants in Common: A type of concurrent, or simultaneous, ownership of real property by two or more parties with a divided ownership. For example, a 50/50 ownership between two parties.

Title Insurance: An insurance policy that protects against loss should the condition of title to land be other than as insured. A title insurance policy protects the buyer (or the lender) should a covered title problem arise with the title that was not found during the title search.

Title Search: The process of retrieving documents evidencing events in the history of a piece of real property to determine relevant interests in and regulations concerning that property.



Our Locations

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