*To be completed by the* ***Lender:***
Lender Loan No./Universal Loan Identifier ______________________ Agency Case No. ______________

# Uniform Residential Loan Application

**Verify and complete the information on this application.** If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

## Section 1: Borrower Information.
This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

### 1a. Personal Information

**Name** *(First, Middle, Last, Suffix)*

**Alternate Names** – *List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)*

**Social Security Number** ____ – ____ – ____
*(or Individual Taxpayer Identification Number)*

**Date of Birth**
*(mm/dd/yyyy)*
____/____/______

**Citizenship**
○ U.S. Citizen
○ Permanent Resident Alien
○ Non-Permanent Resident Alien

**Type of Credit**
○ I am applying for **individual credit.**
● I am applying for **joint credit.** Total Number of Borrowers: _
Each Borrower intends to apply for joint credit. **Your initials:** ______

**List Name(s) of Other Borrower(s) Applying for this Loan**
*(First, Middle, Last, Suffix) – Use a separator between names*

**Marital Status**
○ Married
○ Separated
○ Unmarried
*(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)*

**Dependents** *(not listed by another Borrower)*
Number __
Ages ______________________

**Contact Information**
**Home** Phone ( ___ ) ___ – ____
**Cell** Phone ( ___ ) ___ – ____
**Work** Phone ( ___ ) ___ – ____ **Ext.** ______
**Email** ______________________

**Current Address**
Street ______________________ Unit # ______
City ______________________ State ____ ZIP ______ Country ______
How Long at Current Address? ___ Years ___ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($ ________ /month)

**If at Current Address for LESS than 2 years, list Former Address** ☐ ***Does not apply***
Street ______________________ Unit # ______
City ______________________ State ____ ZIP ______ Country ______
How Long at Former Address? ___ Years ___ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($ ________ /month)

**Mailing Address** – *if different from Current Address* ☐ ***Does not apply***
Street ______________________ Unit # ______
City ______________________ State ____ ZIP ______ Country ______

### 1b. Current Employment/Self-Employment and Income
☐ ***Does not apply***

**Employer or Business Name** ______________________ Phone ( ___ ) ___ – ____
Street ______________________ Unit # ______
City ______________________ State ____ ZIP ______ Country ______

**Position or Title** ______________________
**Start Date** ___/___/______ *(mm/dd/yyyy)*
How long in this line of work? ___ Years ___ Months

**Check if this statement applies:**
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed**
○ I have an ownership share of less than 25%.
○ I have an ownership share of 25% or more.
**Monthly Income (or Loss)**
$ ________

**Gross Monthly Income**

| | | |
|---|---|---|
| Base | $ ________ | /month |
| Overtime | $ ________ | /month |
| Bonus | $ ________ | /month |
| Commission | $ ________ | /month |
| Military Entitlements | $ ________ | /month |
| Other | $ ________ | /month |
| **TOTAL $** | 0.00 | **/month** |

## 1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income

☐ ***Does not apply***

**Employer or Business Name** ______ Phone ( ___ ) ___ – ____
Street ______ Unit # ______
City ______ State ____ ZIP ______ Country ______

**Position or Title** ______
**Start Date** ___ / ___ / ______ *(mm/dd/yyyy)*
How long in this line of work? ___ Years ___ Months

**Check if this statement applies:**
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed**
◯ I have an ownership share of less than 25%.
◯ I have an ownership share of 25% or more.
**Monthly Income (or Loss)** $ ______

**Gross Monthly Income**

| | | |
|---|---|---|
| Base | $ | /month |
| Overtime | $ | /month |
| Bonus | $ | /month |
| Commission | $ | /month |
| Military Entitlements | $ | /month |
| Other | $ | /month |
| **TOTAL $** | 0.00 | **/month** |

## 1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income

☐ ***Does not apply***

**Provide at least 2 years of current and previous employment and income.**

**Employer or Business Name** ______
Street ______ Unit # ______
City ______ State ____ ZIP ______ Country ______

**Position or Title** ______
**Start Date** ___ / ___ / ______ *(mm/dd/yyyy)*
**End Date** ___ / ___ / ______ *(mm/dd/yyyy)*

☐ **Check if you were the Business Owner or Self-Employed**

**Previous Gross Monthly Income $** ______ **/month**

## 1e. Income from Other Sources

☐ ***Does not apply***

**Include income from other sources below. Under Income Source, choose from the sources listed here:**

- Alimony
- Automobile Allowance
- Boarder Income
- Capital Gains
- Child Support
- Disability
- Foster Care
- Housing or Parsonage
- Interest and Dividends
- Mortgage Credit Certificate
- Mortgage Differential Payments
- Notes Receivable
- Public Assistance
- Retirement *(e.g., Pension, IRA)*
- Royalty Payments
- Separate Maintenance
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

**NOTE:** *Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.*

| **Income Source** – *use list above* | **Monthly Income** |
|---|---|
| | $ |
| | $ |
| | $ |
| **Provide TOTAL Amount Here** | **$** 0.00 |

## Section 2: Financial Information — Assets and Liabilities.

This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

### 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

**Include all accounts below. Under Account Type, choose from the types listed here:**

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement *(e.g., 401k, IRA)*
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance *(used for the transaction)*

| **Account Type** – *use list above* | **Financial Institution** | **Account Number** | **Cash or Market Value** |
|---|---|---|---|
| | | | $ |
| | | | $ |
| | | | $ |
| | | | $ |
| | | | $ |
| | | **Provide TOTAL Amount Here** | **$** 0.00 |

### 2b. Other Assets and Credits You Have

☐ ***Does not apply***

**Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:**

*Assets*

- Proceeds from Real Estate Property to be sold on or before closing
- Proceeds from Sale of Non-Real Estate Asset
- Secured Borrowed Funds
- Unsecured Borrowed Funds
- Other

*Credits*

- Earnest Money
- Employer Assistance
- Lot Equity
- Relocation Funds
- Rent Credit
- Sweat Equity
- Trade Equity

| **Asset or Credit Type** – *use list above* | **Cash or Market Value** |
|---|---|
| | $ |
| | $ |
| | $ |
| | $ |
| **Provide TOTAL Amount Here** | **$** 0.00 |

### 2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe

☐ ***Does not apply***

**List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:**

- Revolving *(e.g., credit cards)*
- Installment *(e.g., car, student, personal loans)*
- Open 30-Day *(balance paid monthly)*
- Lease *(not real estate)*
- Other

| **Account Type** – *use list above* | **Company Name** | **Account Number** | **Unpaid Balance** | *To be paid off at or before closing* | **Monthly Payment** |
|---|---|---|---|---|---|
| | | | $ | ☐ | $ |
| | | | $ | ☐ | $ |
| | | | $ | ☐ | $ |
| | | | $ | ☐ | $ |
| | | | $ | ☐ | $ |

### 2d. Other Liabilities and Expenses

☐ ***Does not apply***

**Include all other liabilities and expenses below. Choose from the types listed here:**

- Alimony
- Child Support
- Separate Maintenance
- Job Related Expenses
- Other

| | **Monthly Payment** |
|---|---|
| | $ |
| | $ |
| | $ |

## Section 3: Financial Information — Real Estate. 
This section asks you to list all properties you currently own and what you owe on them. ☐ ***I do not own any real estate***

### 3a. Property You Own
**If you are refinancing, list the property you are refinancing FIRST.**

**Address** Street ______________________ Unit # ________
City ______________________ State ________ ZIP ________ Country ________

| **Property Value** | **Status:** Sold, Pending Sale, or Retained | **Intended Occupancy:** Investment, Primary Residence, Second Home, Other | **Monthly Insurance,Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment* | **For 2-4 Unit Primary or Investment Property** – **Monthly Rental Income** | **For LENDER to calculate:** Net Monthly Rental Income |
|---|---|---|---|---|---|
| $ | | | $ | $ | $ |

**Mortgage Loans on this Property** ☐ ***Does not apply***

| **Creditor Name** | **Account Number** | **Monthly Mortgage Payment** | **Unpaid Balance** | *To be paid off at or before closing* | **Type:** FHA, VA, Conventional, USDA-RD, Other | **Credit Limit** *(if applicable)* |
|---|---|---|---|---|---|---|
| | | $ | $ | ☐ | | $ |
| | | $ | $ | ☐ | | $ |

### 3b. IF APPLICABLE, Complete Information for Additional Property
☐ ***Does not apply***

**Address** Street ______________________ Unit # ________
City ______________________ State ________ ZIP ________ Country ________

| **Property Value** | **Status:** Sold, Pending Sale, or Retained | **Intended Occupancy:** Investment, Primary Residence, Second Home, Other | **Monthly Insurance, Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment* | **For 2-4 Unit Primary or Investment Property** – **Monthly Rental Income** | **For LENDER to calculate:** Net Monthly Rental Income |
|---|---|---|---|---|---|
| $ | | | $ | $ | $ |

**Mortgage Loans on this Property** ☐ ***Does not apply***

| **Creditor Name** | **Account Number** | **Monthly Mortgage Payment** | **Unpaid Balance** | *To be paid off at or before closing* | **Type:** FHA, VA, Conventional, USDA-RD, Other | **Credit Limit** *(if applicable)* |
|---|---|---|---|---|---|---|
| | | $ | $ | ☐ | | $ |
| | | $ | $ | ☐ | | $ |

### 3c. IF APPLICABLE, Complete Information for Additional Property
☐ ***Does not apply***

**Address** Street ______________________ Unit # ________
City ______________________ State ________ ZIP ________ Country ________

| **Property Value** | **Status:** Sold, Pending Sale, or Retained | **Intended Occupancy:** Investment, Primary Residence, Second Home, Other | **Monthly Insurance, Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment* | **For 2-4 Unit Primary or Investment Property** – **Monthly Rental Income** | **For LENDER to calculate:** Net Monthly Rental Income |
|---|---|---|---|---|---|
| $ | | | $ | $ | $ |

**Mortgage Loans on this Property** ☐ ***Does not apply***

| **Creditor Name** | **Account Number** | **Monthly Mortgage Payment** | **Unpaid Balance** | *To be paid off at or before closing* | **Type:** FHA, VA, Conventional, USDA-RD, Other | **Credit Limit** *(if applicable)* |
|---|---|---|---|---|---|---|
| | | $ | $ | ☐ | | $ |
| | | $ | $ | ☐ | | $ |

**Borrower Name:** ______________________

## Section 4: Loan and Property Information. 
This section asks about the loan's purpose and the property you want to purchase or refinance.

### 4a. Loan and Property Information

**Loan Amount** $ ____________ **Loan Purpose** ◯ Purchase ◯ Refinance ◯ Other *(specify)* ____________

**Property Address** Street ____________ Unit # ______

City ____________ State ______ ZIP ______ County ______

Number of Units ______ **Property Value $** ____________

**Occupancy** ◯ Primary Residence ◯ Second Home ◯ Investment Property **FHA Secondary Residence** ☐

**1. Mixed-Use Property.** If you will occupy the property, will you set aside space within the property to operate your own business? (*e.g., daycare facility, medical office, beauty/barber shop*) ◯ NO ◯ YES

**2. Manufactured Home.** Is the property a manufactured home? *(e.g., a factory built dwelling built on a permanent chassis)* ◯ NO ◯ YES

### 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing ☐ ***Does not apply***

| Creditor Name | Lien Type | Monthly Payment | Loan Amount/ Amount to be Drawn | Credit Limit *(if applicable)* |
|---|---|---|---|---|
| | ◯ First Lien ◯ Subordinate Lien | $ | $ | $ |
| | ◯ First Lien ◯ Subordinate Lien | $ | $ | $ |

### 4c. Rental Income on the Property You Want to Purchase
**For Purchase Only** ☐ ***Does not apply***

| Complete if the property is a 2-4 Unit Primary Residence or an Investment Property | Amount |
|---|---|
| Expected Monthly Rental Income | $ |
| **For LENDER to calculate:** Expected Net Monthly Rental Income | $ |

### 4d. Gifts or Grants You Have Been Given or Will Receive for this Loan ☐ ***Does not apply***

**Include all gifts and grants below. Under Source, choose from the sources listed here:**

- Community Nonprofit
- Employer
- Federal Agency
- Local Agency
- Relative
- Religious Nonprofit
- State Agency
- Unmarried Partner
- Lender
- Other

| **Asset Type:** Cash Gift, Gift of Equity, Grant | Deposited/Not Deposited | **Source** – *use list above* | Cash or Market Value |
|---|---|---|---|
| | ◯ Deposited ◯ Not Deposited | | $ |
| | ◯ Deposited ◯ Not Deposited | | $ |

## Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

### 5a. About this Property and Your Money for this Loan

| | |
|---|---|
| **A.** Will you occupy the property as your primary residence?<br>If YES, have you had an ownership interest in another property in the last three years?<br>If YES, complete (1) and (2) below:<br>(1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?<br>(2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)? | ◯NO ◯YES<br>◯NO ◯YES<br><br>________<br>________ |
| **B.** If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property? | ◯NO ◯YES |
| **C.** Are you borrowing any money for this real estate transaction *(e.g., money for your closing costs or down payment)* or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application?<br>If YES, what is the amount of this money? | ◯NO ◯YES<br>$ ________ |
| **D.** 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application?<br>2. Have you or will you be applying for any new credit *(e.g., installment loan, credit card, etc.)* on or before closing this loan that is not disclosed on this application? | ◯NO ◯YES<br>◯NO ◯YES |
| **E.** Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes *(e.g., the Property Assessed Clean Energy Program)*? | ◯NO ◯YES |

### 5b. About Your Finances

| | |
|---|---|
| **F.** Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application? | ◯NO ◯YES |
| **G.** Are there any outstanding judgments against you? | ◯NO ◯YES |
| **H.** Are you currently delinquent or in default on a Federal debt? | ◯NO ◯YES |
| **I.** Are you a party to a lawsuit in which you potentially have any personal financial liability? | ◯NO ◯YES |
| **J.** Have you conveyed title to any property in lieu of foreclosure in the past 7 years? | ◯NO ◯YES |
| **K.** Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due? | ◯NO ◯YES |
| **L.** Have you had property foreclosed upon in the last 7 years? | ◯NO ◯YES |
| **M.** Have you declared bankruptcy within the past 7 years?<br>If YES, identify the type(s) of bankruptcy: ☐ Chapter 7 ☐ Chapter 11 ☐ Chapter 12 ☐ Chapter 13 | ◯NO ◯YES |

## **Section 6: Acknowledgments and Agreements.** This section tells you about your legal obligations when you sign this application.

### Acknowledgments and Agreements

**Definitions:**
- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

**I agree to, acknowledge, and represent the following:**

**(1) The Complete Information for this Application**
- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
  (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
  (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq*.).

**(2) The Property's Security**
The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

**(3) The Property's Appraisal, Value, and Condition**
- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

**(4) Electronic Records and Signatures**
- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.
- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my:
  (a) electronic signature; or
  (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

**(5) Delinquency**
- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

**(6) Authorization for Use and Sharing of Information**
By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:
(a) process and underwrite my loan;
(b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
(c) inform credit and investment decisions by the Lender and Other Loan Participants;
(d) perform audit, quality control, and legal compliance analysis and reviews;
(e) perform analysis and modeling for risk assessments;
(f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
(g) other actions permissible under applicable law.

**Borrower Signature** ______________________________ Date *(mm/dd/yyyy)* ____/____/______

**Additional Borrower Signature** ______________________________ Date *(mm/dd/yyyy)* ____/____/______

## Section 7: Military Service. This section asks questions about your (or your deceased spouse's) military service.

### Military Service of Borrower

**Military Service** – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ◯ **NO** ◯ **YES**

*If YES, check all that apply:*
- ☐ Currently serving on active duty with projected expiration date of service/tour ____ /____ /_______ *(mm/dd/yyyy)*
- ☐ Currently retired, discharged, or separated from service
- ☐ Only period of service was as a non-activated member of the Reserve or National Guard
- ☐ Surviving spouse

## Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

### Demographic Information of Borrower

**The purpose of collecting this information** is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

**Ethnicity:** *Check one or more*
- ☐ Hispanic or Latino
  - ☐ Mexican ☐ Puerto Rican ☐ Cuban
  - ☐ Other Hispanic or Latino – *Print origin:* ____________________

    *For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*
- ☐ Not Hispanic or Latino
- ☐ I do not wish to provide this information

**Sex**
- ◯ Female
- ◯ Male
- ◯ I do not wish to provide this information

**Race:** *Check one or more*
- ☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe* : ____________________
- ☐ Asian
  - ☐ Asian Indian ☐ Chinese ☐ Filipino
  - ☐ Japanese ☐ Korean ☐ Vietnamese
  - ☐ Other Asian – *Print race:* ____________________

    *For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*
- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
  - ☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
  - ☐ Other Pacific Islander – *Print race:* ____________________

    *For example: Fijian, Tongan, and so on.*
- ☐ White
- ☐ I do not wish to provide this information

**To Be Completed by Financial Institution (for application taken in person):**

Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ◯ NO ◯ YES
Was the sex of the Borrower collected on the basis of visual observation or surname? ◯ NO ◯ YES
Was the race of the Borrower collected on the basis of visual observation or surname? ◯ NO ◯ YES

**The Demographic Information was provided through:**

◯ Face-to-Face Interview *(includes Electronic Media w/ Video Component)* ◯ Telephone Interview ◯ Fax or Mail ◯ Email or Internet

*To be completed by the* ***Lender:***
Lender Loan No./Universal Loan Identifier ______ Agency Case No. ______

# Uniform Residential Loan Application — Additional Borrower

**Verify and complete the information on this application as directed by your Lender.**

## Section 1: Borrower Information.

This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

### 1a. Personal Information

**Name** *(First, Middle, Last, Suffix)*

**Alternate Names** – *List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)*

**Social Security Number** ___ – ___ – ___
*(or Individual Taxpayer Identification Number)*

**Date of Birth** *(mm/dd/yyyy)* ___/___/___

**Citizenship**
- ○ U.S. Citizen
- ○ Permanent Resident Alien
- ○ Non-Permanent Resident Alien

**Type of Credit**
- ○ I am applying for **individual credit.**
- ◉ I am applying for **joint credit.** Total Number of Borrowers: __
  Each Borrower intends to apply for joint credit. **Your initials:** ______

**List Name(s) of Other Borrower(s) Applying for this Loan**
*(First, Middle, Last, Suffix) – Use a separator between names*

**Marital Status**
- ○ Married
- ○ Separated
- ○ Unmarried
  *(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)*

**Dependents** *(not listed by another Borrower)*
Number __
Ages ______

**Contact Information**
**Home** Phone ( ___ ) ___ – ____
**Cell** Phone ( ___ ) ___ – ____
**Work** Phone ( ___ ) ___ – ____ **Ext.** ____
**Email** ______

**Current Address**
Street ______ Unit # ____
City ______ State ____ ZIP ____ Country ____
How Long at Current Address? ___ Years ___ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($______ /month)

**If at Current Address for LESS than 2 years, list Former Address** ☐ **Does not apply**
Street ______ Unit # ____
City ______ State ____ ZIP ____ Country ____
How Long at Former Address? ___ Years ___ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($______ /month)

**Mailing Address** – *if different from Current Address* ☐ **Does not apply**
Street ______ Unit # ____
City ______ State ____ ZIP ____ Country ____

### 1b. Current Employment/Self-Employment and Income

☐ **Does not apply**

**Employer or Business Name** ______ Phone ( ___ ) ___ – ____
Street ______ Unit # ____
City ______ State ____ ZIP ____ Country ____

**Position or Title** ______
**Start Date** ___/___/___ *(mm/dd/yyyy)*
How long in this line of work? ___ Years ___ Months

**Check if this statement applies:**
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed**
- ○ I have an ownership share of less than 25%.
- ○ I have an ownership share of 25% or more.

**Monthly Income (or Loss)** $ ______

**Gross Monthly Income**

| | | |
|---|---|---|
| Base | $______ | /month |
| Overtime | $______ | /month |
| Bonus | $______ | /month |
| Commission | $______ | /month |
| Military Entitlements | $______ | /month |
| Other | $______ | /month |
| **TOTAL $** | 0.00 | **/month** |

### 1c. IF APPLICABLE , Complete Information for Additional Employment/Self-Employment and Income

☐ Does not apply

Employer or Business Name ______ Phone ( ___ ) ___ – ____

Street ______ Unit # ____

City ______ State ____ ZIP ____ Country ____

**Gross Monthly Income**

| | | |
|---|---|---|
| Base | $ | /month |
| Overtime | $ | /month |
| Bonus | $ | /month |
| Commission | $ | /month |
| Military Entitlements | $ | /month |
| Other | $ | /month |
| **TOTAL $** | 0.00 | **/month** |

**Position or Title** ______

**Start Date** ___ / ___ / ____ *(mm/dd/yyyy)*

How long in this line of work? ___ Years ___ Months

**Check if this statement applies:**

☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed**

◯ I have an ownership share of less than 25%.

◯ I have an ownership share of 25% or more.

**Monthly Income (or Loss)** $ ______

### 1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income

☐ Does not apply

**Provide at least 2 years of current and previous employment and income.**

**Employer or Business Name** ______

Street ______ Unit # ____

City ______ State ____ ZIP ____ Country ____

**Previous Gross Monthly Income $** ______ **/month**

**Position or Title** ______

**Start Date** ___ / ___ / ____ *(mm/dd/yyyy)*

**End Date** ___ / ___ / ____ *(mm/dd/yyyy)*

☐ **Check if you were the Business Owner or Self-Employed**

### 1e. Income from Other Sources

☐ Does not apply

**Include income from other sources below. Under Income Source, choose from the sources listed here:**

- Alimony
- Automobile Allowance
- Boarder Income
- Capital Gains
- Child Support
- Disability
- Foster Care
- Housing or Parsonage
- Interest and Dividends
- Mortgage Credit Certificate
- Mortgage Differential Payments
- Notes Receivable
- Public Assistance
- Retirement *(e.g., Pension, IRA)*
- Royalty Payments
- Separate Maintenance
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

**NOTE:** *Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.*

| **Income Source** – *use list above* | **Monthly Income** |
|---|---|
| | $ |
| | $ |
| | $ |
| **Provide TOTAL Amount Here** | **$** 0.00 |

## Section 2: Financial Information — Assets and Liabilities.

My information for Section 2 is listed on the Uniform Residential Loan Application with ______

(insert name of Borrower)

## Section 3: Financial Information — Real Estate.

My information for Section 3 is listed on the Uniform Residential Loan Application with ______

(insert name of Borrower)

## Section 4: Loan and Property Information.

My information for Section 4 is listed on the Uniform Residential Loan Application with ______

(insert name of Borrower)

## Section 5: Declarations.

This section asks you specific questions about the property, your funding, and your past financial history.

### 5a. About this Property and Your Money for this Loan

| | |
|---|---|
| **A.** Will you occupy the property as your primary residence?<br>If YES, have you had an ownership interest in another property in the last three years?<br>If YES, complete (1) and (2) below:<br>(1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?<br>(2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)? | NO YES<br>NO YES<br>________<br>________ |
| **B.** If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property? | NO YES |
| **C.** Are you borrowing any money for this real estate transaction *(e.g., money for your closing costs or down payment)* or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application?<br>If YES, what is the amount of this money? | NO YES<br>$________ |
| **D.** 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application?<br>2. Have you or will you be applying for any new credit *(e.g., installment loan, credit card, etc.)* on or before closing this loan that is not disclosed on this application? | NO YES<br>NO YES |
| **E.** Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes *(e.g., the Property Assessed Clean Energy Program)*? | NO YES |

### 5b. About Your Finances

| | |
|---|---|
| **F.** Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application? | NO YES |
| **G.** Are there any outstanding judgments against you? | NO YES |
| **H.** Are you currently delinquent or in default on a Federal debt? | NO YES |
| **I.** Are you a party to a lawsuit in which you potentially have any personal financial liability? | NO YES |
| **J.** Have you conveyed title to any property in lieu of foreclosure in the past 7 years? | NO YES |
| **K.** Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due? | NO YES |
| **L.** Have you had property foreclosed upon in the last 7 years? | NO YES |
| **M.** Have you declared bankruptcy within the past 7 years?<br>If YES, identify the type(s) of bankruptcy: ☐ Chapter 7 ☐ Chapter 11 ☐ Chapter 12 ☐ Chapter 13 | NO YES |

## Section 6: Acknowledgements and Agreements.

My signature for Section 6 is on the Uniform Residential Loan Application with ____________________
(insert name of Borrower)

## Section 7: Military Service.

This section asks questions about your (or your deceased spouse's) military service.

### Military Service of Borrower

**Military Service** – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? **NO** **YES**

*If YES, check all that apply:*
- ☐ Currently serving on active duty with projected expiration date of service/tour ___ /___ /_____ *(mm/dd/yyyy)*
- ☐ Currently retired, discharged, or separated from service
- ☐ Only period of service was as a non-activated member of the Reserve or National Guard
- ☐ Surviving spouse

## Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

### Demographic Information of Borrower

**The purpose of collecting this information** is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

**Ethnicity:** *Check one or more*

- ☐ Hispanic or Latino
  - ☐ Mexican ☐ Puerto Rican ☐ Cuban
  - ☐ Other Hispanic or Latino – *Print origin:* ______

    *For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*
- ☐ Not Hispanic or Latino
- ☐ I do not wish to provide this information

**Sex**

- ○ Female
- ○ Male
- ○ I do not wish to provide this information

**Race:** *Check one or more*

- ☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe* : ______
- ☐ Asian
  - ☐ Asian Indian ☐ Chinese ☐ Filipino
  - ☐ Japanese ☐ Korean ☐ Vietnamese
  - ☐ Other Asian – *Print race:* ______

    *For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*
- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
  - ☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
  - ☐ Other Pacific Islander – *Print race:* ______

    *For example: Fijian, Tongan, and so on.*
- ☐ White
- ☐ I do not wish to provide this information

**To Be Completed by Financial Institution (for application taken in person):**

Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ○ NO ○ YES
Was the sex of the Borrower collected on the basis of visual observation or surname? ○ NO ○ YES
Was the race of the Borrower collected on the basis of visual observation or surname? ○ NO ○ YES

**The Demographic Information was provided through:**

○ Face-to-Face Interview *(includes Electronic Media w/ Video Component)* ○ Telephone Interview ○ Fax or Mail ○ Email or Internet

## Section 9: Loan Originator Information. To be completed by your **Loan Originator**.

### Loan Originator Information

Loan Originator Organization Name ______

Address ______

Loan Originator Organization NMLSR ID# ______ State License ID# ______

Loan Originator Name ______

Loan Originator NMLSR ID# ______ State License ID# ______

Email ______ Phone ( ___ ) ___ – ____

Signature ______ Date *(mm/dd/yyyy)* ___ / ___ / _____

**Borrower Name:** ______

*To be completed by the* ***Lender:***
Lender Loan No./Universal Loan Identifier ______________________ Agency Case No. ______________

# Uniform Residential Loan Application — Lender Loan Information

This section is completed by your Lender.

## L1. Property and Loan Information

**Community Property State**
- ☐ At least one borrower lives in a community property state.
- ☐ The property is in a community property state.

**Transaction Detail**
- ☐ Conversion of Contract for Deed or Land Contract
- ☐ Renovation
- ☐ Construction-Conversion/Construction-to-Permanent
  - ○ Single-Closing ○ Two-Closing

Construction/Improvement Costs $ ______________
Lot Acquired Date ___/___/_____ *(mm/dd/yyyy)*
Original Cost of Lot $ ______________

**Refinance Type**
- ○ No Cash Out
- ○ Limited Cash Out
- ○ Cash Out

**Refinance Program**
- ○ Full Documentation
- ○ Interest Rate Reduction
- ○ Streamlined without Appraisal
- ○ Other ______________

**Energy Improvement**
- ☐ Mortgage loan will finance energy-related improvements.
- ☐ Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes *(e.g., the Property Assessed Clean Energy program)*.

**Project Type** ☐ Condominium ☐ Cooperative ☐ Planned Unit Development (PUD) ☐ Property is not located in a project

## L2. Title Information

Title to the Property **Will** be Held in What Name(s):

**For Refinance:** Title to the Property is **Currently** Held in What Name(s):

**Estate Will be Held in**
- ○ Fee Simple
- ○ Leasehold Expiration Date ___/___/_____ *(mm/dd/yyyy)*

**Manner in Which Title Will be Held**
- ○ Sole Ownership
- ○ Joint Tenancy with Right of Survivorship
- ○ Life Estate
- ○ Tenancy by the Entirety
- ○ Tenancy in Common
- ○ Other

**Trust Information**
- ○ Title Will be Held by an *Inter Vivos (Living)* Trust
- ○ Title Will be Held by a Land Trust

**Indian Country Land Tenure**
- ○ Fee Simple On a Reservation
- ○ Individual Trust Land *(Allotted/Restricted)*
- ○ Tribal Trust Land On a Reservation
- ○ Tribal Trust Land Off Reservation
- ○ Alaska Native Corporation Land

## L3. Mortgage Loan Information

**Mortgage Type Applied For**
- ○ Conventional ○ USDA-RD
- ○ FHA ○ VA ○ Other: ______________

**Terms of Loan**
Note Rate ________ %
Loan Term ________ *(months)*

**Mortgage Lien Type**
- ○ First Lien
- ○ Subordinate Lien

**Amortization Type**
- ○ Fixed Rate ○ Other *(explain)*: ______________
- ○ Adjustable Rate

**If Adjustable Rate:**
Initial Period Prior to First Adjustment ________ *(months)*
Subsequent Adjustment Period ________ *(months)*

**Loan Features**
- ☐ Balloon/ Balloon Term ______ *(months)*
- ☐ Interest Only / Interest Only Term ______ *(months)*
- ☐ Negative Amortization
- ☐ Prepayment Penalty / Prepayment Penalty Term ______ *(months)*
- ☐ Temporary Interest Rate Buydown/Initial Buydown Rate ______ %
- ☐ Other (*explain*): ______________

**Proposed Monthly Payment for Property**

| | |
|---|---|
| First Mortgage *(P & I)* | $ |
| Subordinate Lien(s) *(P & I)* | $ |
| Homeowner's Insurance | $ |
| Supplemental Property Insurance | $ |
| Property Taxes | $ |
| Mortgage Insurance | $ |
| Association/Project Dues *(Condo, Co-Op, PUD)* | $ |
| Other | $ |
| **TOTAL** | $ 0.00 |

**Borrower Name(s):** ______________

## L4. Qualifying the Borrower – Minimum Required Funds or Cash Back

| | |
|---|---|
| **DUE FROM BORROWER(S)** | |
| **A.** Sales Contract Price | $ |
| **B.** Improvements, Renovations, and Repairs | $ |
| **C.** Land *(if acquired separately)* | $ |
| **D.** For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction *(See Table 3a. Property You Own)* | $ |
| **E.** Credit Cards and Other Debts Paid Off *(See Table 2c. Liabilities — Credit Cards, Other Debts, and Leases that You Owe)* | $ |
| **F.** Borrower Closing Costs *(including Prepaid and Initial Escrow Payments)* | $ |
| **G.** Discount Points | $ |
| **H. TOTAL DUE FROM BORROWER(s) (Total of A thru G)** | $ 0.00 |
| **TOTAL MORTGAGE LOANS** | |
| **I.** Loan Amount<br>Loan Amount Excluding Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* $________<br>Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* Amount $________ | $ |
| **J.** Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing *(See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)* | $ |
| **K. TOTAL MORTGAGE LOANS (Total of I and J)** | $ 0.00 |
| **TOTAL CREDITS** | |
| **L.** Seller Credits *(Enter the amount of Borrower(s) costs paid by the property seller)* | $ |
| **M.** Other Credits *(Enter the sum of all other credits — Borrower Paid Fees, Earnest Money, Employer Assisted Housing, Lease Purchase Fund, Lot Equity, Relocation Funds, Sweat Equity, Trade Equity, Other)* | $ |
| **N. TOTAL CREDITS (Total of L and M)** | $ 0.00 |
| **CALCULATION** | |
| TOTAL DUE FROM BORROWER(s) *(Line H)* | $ 0.00 |
| LESS TOTAL MORTGAGE LOANS *(Line K)* AND TOTAL CREDITS *(Line N)* | – $ 0.00 |
| **Cash From/To the Borrower (Line H minus Line K and Line N)**<br>**NOTE: This amount does not include reserves or other funds that may be required by the Lender to be verified.** | $ |

**ADJUSTABLE RATE MORTGAGE**
**LOAN PROGRAM DISCLOSURE**
**3/3 YEAR ARM**

NMLS Company Identifier: 454713

3/3 Year ARM

This information describes some of the terms and conditions of an Adjustable Rate Mortgage ("ARM") loan program that is currently being offered by GNBank, N.A. ("Lender"), and which you are considering. Lender reserves the right to discontinue, or to modify, in whole or in part, at any time, the loan program that is described herein. This ARM disclosure is not a commitment by Lender to make a loan to you.

An Adjustable Rate Mortgage loan permits Lender, by the terms of the agreement and in relation to an index or formula, to increase or decrease the interest rate, payment amounts, and/or term of the loan after the loan has been consummated ("closed"). The date on which your interest rate and/or payment can change is called the "Change Date." Scheduled payment periods are called "your payments."

**LOAN PROGRAM NAME.** This disclosure describes the features of the ARM program that you are considering. The name of this loan program is **3/3 Year ARM**. Information on Lender's other ARM programs is available on request.

**HOW YOUR INTEREST RATE IS DETERMINED.** Beginning with the first Change Date, your interest rate will be based on an Index plus a margin. The Index for this loan program is the weekly average for 1 year United States Treasury Securities adjusted. Information about the Index rate is published in the Wall Street Journal. If the Index is no longer available, Lender will select a new Index which is based on comparable information. Ask us for our current interest rate and margin.

**HOW YOUR INTEREST RATE CAN CHANGE.** Your interest rate can change annually (every 36 payments). Your interest rate cannot increase more than 6.000 percentage points above the initial interest rate during the term of the loan. Your interest rate will never be less than 4.250% during the term of the loan. Your interest rate cannot increase by more than 2.000 percentage points at the first rate adjustment. Thereafter, your interest rate cannot increase by more than 2.000 percentage points at any rate adjustment. There is no limit on the amount that the interest rate can decrease at the first or subsequent rate adjustments.

This loan program is subject to automatic interest rate adjustments: decreases in the Index used to make interest rate adjustments will, subject to any limitations described above, result in a reduced interest rate; increases will, at Lender's discretion and subject to any limitations, result in increases in the interest rate. In the event that Lender elects not to implement a permissible increase in the interest rate, Lender reserves the right to implement the increase at a later time.

**HOW YOUR PAYMENTS CAN CHANGE.** Your payments will be determined by the interest rate, loan balance, and the remaining loan term. An increase in the interest rate will result in higher payment amounts. Your payments can increase or decrease substantially based on changes in the interest rate. Payments are due monthly. Your payments can change annually (every 36 payments). If you still owe amounts on your loan on the maturity date, you will pay those amounts in full on that date.

**ADDITIONAL LOAN PROGRAM FEATURES.** Someone buying your home cannot assume the remainder of your loan on the original terms.

**EXAMPLES.** To give you an example of how this loan program would work, if you had a $10,000.00 loan with an initial rate of 9.090%, the rate in effect in January 2024, the maximum amount that the interest rate can rise is 6.000 percentage points to 15.090%. If your payments were due monthly and your loan terms were for:

- 30 years, amortized over 360 payments, your payment could rise from a first-year payment of $81.11 to a maximum of $123.02 in the 10th year.
- 20 years, amortized over 240 payments, your payment could rise from a first-year payment of $90.55 to a maximum of $123.28 in the 10th year.
- 15 years, amortized over 180 payments, your payment could rise from a first-year payment of $101.96 to a maximum of $127.38 in the 10th year.

The above example uses a periodic cap of 2.000 percentage points and a life cap of 6.000 percentage points in calculating the maximum interest rate and maximum payment.

To see what your payment would be, divide your desired loan amount by 10,000; then multiply payments by that amount (for example, the monthly payment for a mortgage amount of $80,000 would be: $80,000 divided by $10,000 = 8; 8 x $81.11 = $648.88 per payment).

**NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS.** You will receive an initial interest rate and payment adjustment notice at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. You will also receive ongoing interest rate and payment adjustment notices at least 60, but not more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. The notices will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

**ADJUSTABLE RATE MORTGAGE**
**LOAN PROGRAM DISCLOSURE**
**5/5 YEAR ARM**

GNBank

NMLS Company Identifier: 454713

5/5 Year ARM

This information describes some of the terms and conditions of an Adjustable Rate Mortgage ("ARM") loan program that is currently being offered by GNBank, N.A. ("Lender"), and which you are considering. Lender reserves the right to discontinue, or to modify, in whole or in part, at any time, the loan program that is described herein. This ARM disclosure is not a commitment by Lender to make a loan to you.

An Adjustable Rate Mortgage loan permits Lender, by the terms of the agreement and in relation to an index or formula, to increase or decrease the interest rate, payment amounts, and/or term of the loan after the loan has been consummated ("closed"). The date on which your interest rate and/or payment can change is called the "Change Date." Scheduled payment periods are called "your payments."

**LOAN PROGRAM NAME.** This disclosure describes the features of the ARM program that you are considering. The name of this loan program is **5/5 Year ARM**. Information on Lender's other ARM programs is available on request.

**HOW YOUR INTEREST RATE IS DETERMINED.** Beginning with the first Change Date, your interest rate will be based on an Index plus a margin. The Index for this loan program is the weekly average for 5 year United States Treasury Securities adjusted. Information about the Index rate is published in the Wall Street Journal. If the Index is no longer available, Lender will select a new Index which is based on comparable information. Ask us for our current interest rate and margin.

**HOW YOUR INTEREST RATE CAN CHANGE.** Your interest rate can change annually (every 60 payments). Your interest rate cannot increase more than 6.000 percentage points above the initial interest rate during the term of the loan. Your interest rate will never be less than 4.250% during the term of the loan. Your interest rate cannot increase by more than 2.000 percentage points at the first rate adjustment. Thereafter, your interest rate cannot increase by more than 2.000 percentage points at any rate adjustment. There is no limit on the amount that the interest rate can decrease at the first or subsequent rate adjustments.

This loan program is subject to automatic interest rate adjustments: decreases in the Index used to make interest rate adjustments will, subject to any limitations described above, result in a reduced interest rate; increases will, at Lender's discretion and subject to any limitations, result in increases in the interest rate. In the event that Lender elects not to implement a permissible increase in the interest rate, Lender reserves the right to implement the increase at a later time.

**HOW YOUR PAYMENTS CAN CHANGE.** Your payments will be determined by the interest rate, loan balance, and the remaining loan term. An increase in the interest rate will result in higher payment amounts. Your payments can increase or decrease substantially based on changes in the interest rate. Payments are due monthly. Your payments can change annually (every 60 payments). If you still owe amounts on your loan on the maturity date, you will pay those amounts in full on that date.

**ADDITIONAL LOAN PROGRAM FEATURES.** Someone buying your home cannot assume the remainder of your loan on the original terms.

**EXAMPLES.** To give you an example of how this loan program would work, if you had a $10,000.00 loan with an initial rate of 8.900%, the rate in effect in January 2024, the maximum amount that the interest rate can rise is 6.000 percentage points to 14.900%. If your payments were due monthly and your loan terms were for:

- 30 years, amortized over 360 payments, your payment could rise from a first-year payment of $79.74 to a maximum of $117.13 in the 16th year.
- 20 years, amortized over 240 payments, your payment could rise from a first-year payment of $89.33 to a maximum of $113.50 in the 16th year.
- 15 years, amortized over 180 payments, your payment could rise from a first-year payment of $100.83 to a maximum of $114.77 in the 11th year.

The above example uses a periodic cap of 2.000 percentage points and a life cap of 6.000 percentage points in calculating the maximum interest rate and maximum payment.

To see what your payment would be, divide your desired loan amount by 10,000; then multiply payments by that amount (for example, the monthly payment for a mortgage amount of $80,000 would be: $80,000 divided by $10,000 = 8; 8 x $79.74 = $637.92 per payment).

**NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS.** You will receive an initial interest rate and payment adjustment notice at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. You will also receive ongoing interest rate and payment adjustment notices at least 60, but not more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. The notices will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

**ADJUSTABLE RATE MORTGAGE**
**LOAN PROGRAM DISCLOSURE**
**7/1 YEAR ARM**

GNBank

NMLS Company Identifier: 454713

7/1 Year ARM

This information describes some of the terms and conditions of an Adjustable Rate Mortgage ("ARM") loan program that is currently being offered by GNBank, N.A. ("Lender"), and which you are considering. Lender reserves the right to discontinue, or to modify, in whole or in part, at any time, the loan program that is described herein. This ARM disclosure is not a commitment by Lender to make a loan to you.

An Adjustable Rate Mortgage loan permits Lender, by the terms of the agreement and in relation to an index or formula, to increase or decrease the interest rate, payment amounts, and/or term of the loan after the loan has been consummated ("closed"). The date on which your interest rate and/or payment can change is called the "Change Date." Scheduled payment periods are called "your payments."

**LOAN PROGRAM NAME.** This disclosure describes the features of the ARM program that you are considering. The name of this loan program is **7/1 Year ARM**. Information on Lender's other ARM programs is available on request.

**HOW YOUR INTEREST RATE IS DETERMINED.** Beginning with the first Change Date, your interest rate will be based on an Index plus a margin. The Index for this loan program is the weekly average for 1 year United States Treasury Securities adjusted. Information about the Index rate is published in the Wall Street Journal. If the Index is no longer available, Lender will select a new Index which is based on comparable information. Ask us for our current interest rate and margin.

**HOW YOUR INTEREST RATE CAN CHANGE.** Your first interest rate adjustment will be after 7 years. Thereafter, your interest rate can change annually (every 12 payments). Your interest rate cannot increase more than 6.000 percentage points above the initial interest rate during the term of the loan. Your interest rate will never be less than 4.250% during the term of the loan. Your interest rate cannot increase by more than 2.000 percentage points at the first rate adjustment. Thereafter, your interest rate cannot increase by more than 2.000 percentage points at any rate adjustment. There is no limit on the amount that the interest rate can decrease at the first or subsequent rate adjustments.

This loan program is subject to automatic interest rate adjustments: decreases in the Index used to make interest rate adjustments will, subject to any limitations described above, result in a reduced interest rate; increases will, at Lender's discretion and subject to any limitations, result in increases in the interest rate. In the event that Lender elects not to implement a permissible increase in the interest rate, Lender reserves the right to implement the increase at a later time.

**HOW YOUR PAYMENTS CAN CHANGE.** Your payments will be determined by the interest rate, loan balance, and the remaining loan term. An increase in the interest rate will result in higher payment amounts. Your payments can increase or decrease substantially based on changes in the interest rate. Payments are due monthly. The first payment change for this loan program does not occur with the same frequency as later payment changes. The first payment change for this loan program will occur after 7 years (84 payments). Thereafter, your payments can change annually (every 12 payments). If you still owe amounts on your loan on the maturity date, you will pay those amounts in full on that date.

**ADDITIONAL LOAN PROGRAM FEATURES.** Someone buying your home cannot assume the remainder of your loan on the original terms.

**EXAMPLES.** To give you an example of how this loan program would work, if you had a $10,000.00 loan with an initial rate of 9.880%, the rate in effect in January 2024, the maximum amount that the interest rate can rise is 6.000 percentage points to 15.880%. If your payments were due monthly and your loan terms were for:

- 30 years, amortized over 360 payments, your payment could rise from a first-year payment of $86.87 to a maximum of $127.72 in the 10th year.
- 20 years, amortized over 240 payments, your payment could rise from a first-year payment of $95.71 to a maximum of $125.61 in the 10th year.

- 15 years, amortized over 180 payments, your payment could rise from a first-year payment of $106.73 to a maximum of $127.78 in the 10th year.

The above example uses a periodic cap of 2.000 percentage points and a life cap of 6.000 percentage points in calculating the maximum interest rate and maximum payment.

To see what your payment would be, divide your desired loan amount by 10,000; then multiply payments by that amount (for example, the monthly payment for a mortgage amount of $80,000 would be: $80,000 divided by $10,000 = 8; 8 x $86.87 = $694.96 per payment).

**NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS.** You will receive an initial interest rate and payment adjustment notice at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. You will also receive ongoing interest rate and payment adjustment notices at least 60, but not more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. The notices will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

# APPRAISAL NOTICE

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.

By signing below, you acknowledge receipt of this Appraisal Notice.

Applicant: ______________________________________________

Date: ______________________

Applicant: ______________________________________________

Date: ______________________

# CREDIT APPLICATION DISCLOSURE FOR INSURANCE / ANNUITY PRODUCTS

| Name(s) / Address(es) of Applicant(s) ("you", "your") | Name / Address of Lender (Creditor) ("we", "us", "our")<br><br>GNBank N.A.<br>100 E Forest<br>PO Box 67<br>Girard, KS 66743-0067 |
|---|---|

**IMPORTANT NOTICE**
**DO NOT SIGN THIS FORM UNTIL YOU READ IT AND UNDERSTAND ITS CONTENTS**

## CREDIT APPLICATION DISCLOSURE

Insurance and/or annuity products may be solicited, offered or sold in connection with the type of credit for which you have applied. We cannot, as a condition for you to obtain the credit:

- require you to purchase an insurance product or annuity from us, or from any of our affiliates; or
- make you agree not to obtain, or prohibit you from obtaining, an insurance product or annuity from another company that is not affiliated with us.

## INSURANCE / ANNUITY PRODUCTS DISCLOSURE

Any insurance product or annuity that you may agree to purchase from us or our affiliates:

- is not a deposit or other obligation of ours, or our affiliates; and
- is not guaranteed by us or our affiliates; and
- is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other agency of the United States (with the exception of any federal crop insurance or federal flood insurance); and
- is not insured by us or our affiliates; and
- if the insurance product or annuity that you agree to purchase from us or our affiliates involves investment risk, this risk includes the possible loss of value and principal.

**ACKNOWLEDGMENT.** The undersigned Applicant(s) hereby acknowledge(s) receipt of this Credit Application Disclosure For Insurance / Annuity Products on the date indicated below, and has read and understood its contents.

Applicant's Signature Date Applicant's Signature Date

Applicant's Signature Date Applicant's Signature Date

**LENDER CERTIFICATION.** The undersigned hereby certifies that on behalf of Lender he/she orally provided the above disclosures to the Applicant(s) on the date noted below.

By ______________________ Date: ______________

Its ______________________

**APPLICANT'S COPY**



Compliance Systems, Inc.
800-968-8522 Fax 616-956-1868

GNBank

The Best Place to Bank and Borrow

Email Information Disclosure

Borrower's name ________________________________________

Co-Borrower's name _____________________________________

Please provide an email addresses to which we can send your loan documents.

Borrower's email ________________________________________

Co Borrower's email _____________________________________

GNB will email you an Electronic Consent Agreement to the email address listed above. It is your responsibility to reply to this email in order to receive your documents electronically. If you do not reply all documents will be mailed through the US Postal Service and your loan closing could be delayed.

For Internal Use Only

Date ECA emailed ________________________________________

Date approval received (borrower)________________________________

Date approval received (co borrower)______________________________

The Federal Reserve Board

# Consumer Handbook on
# Adjustable-Rate Mortgages


Board of Governors of the Federal Reserve System
www.federalreserve.gov
0412

# Table of contents

This information was prepared by the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision in consultation with the following organizations:

AARP
American Association of Residential Mortgage Regulators
America's Community Bankers
Center for Responsible Lending
Conference of State Bank Supervisors
Consumer Federation of America
Consumer Mortgage Coalition
Consumers Union
Credit Union National Association
Federal Deposit Insurance Corporation
Federal Reserve Board's Consumer Advisory Council
Federal Trade Commission
Financial Services Roundtable
Independent Community Bankers Association
Mortgage Bankers Association
Mortgage Insurance Companies of America
National Association of Federal Credit Unions
National Association of Home Builders
National Association of Mortgage Brokers
National Association of Realtors
National Community Reinvestment Coalition
National Consumer Law Center
National Credit Union Administration


This handbook gives you an overview of ARMs, explains how ARMs work, and discusses some of the issues that you might face as a borrower. It includes:

- ways to reduce the risks associated with ARMs;
- pointers about advertising and other sources of information, such as lenders and other trusted advisers;
- a glossary of important ARM terms; and
- a worksheet that can help you ask the right questions and figure out whether an ARM is right for you. (Ask lenders to help you fill out the worksheet so you can get the information you need to compare mortgages.)

An adjustable-rate mortgage (ARM) is a loan with an interest rate that changes. ARMs may start with lower monthly payments than fixed-rate mortgages, but keep in mind the following:

- Your monthly payments could change. They could go up—sometimes by a lot—even if interest rates don't go up. See page 20.
- Your payments may not go down much, or at all—even if interest rates go down. See page 11.
- You could end up owing more money than you borrowed—even if you make all your payments on time. See page 22.
- If you want to pay off your ARM early to avoid higher payments, you might pay a penalty. See page 24.

You need to compare the features of ARMs to find the one that best fits your needs. The Mortgage Shopping Worksheet on page 2 can help you get started.

# Mortgage shopping worksheet

*Ask your lender or broker to help you fill out this worksheet.*

| |
|---|
| Name of lender or broker and contact information |
| Mortgage amount |
| Loan term (e.g., 15 years, 30 years) |
| Loan description<br>(e.g., fixed rate, 3/1 ARM, payment-option ARM, interest-only ARM) |
| **Basic Features for Comparison** |
| Fixed-rate mortgage interest rate and annual percentage rate (APR)<br>(For graduated-payment or stepped-rate mortgages, use the ARM columns.) |
| **ARM initial interest rate and APR**<br>How long does the initial rate apply? |
| What will the interest rate be after the initial period? |
| **ARM features**<br>How often can the interest rate adjust? |
| What is the index and what is the current rate? (See chart on page 8.) |
| What is the margin for this loan? |
| **Interest-rate caps**<br>What is the periodic interest-rate cap? |
| What is the lifetime interest-rate cap? How high could the rate go? |
| How low could the interest rate go on this loan? |
| What is the payment cap? |
| Can this loan have negative amortization (that is, increase in size)? |
| What is the limit to how much the balance can grow before the loan will be recalculated? |
| Is there a prepayment penalty if I pay off this mortgage early? |
| How long does that penalty last? How much is it? |
| Is there a balloon payment on this mortgage?<br>If so, what is the estimated amount and when would it be due? |
| What are the estimated origination fees and charges for this loan? |
| **Monthly Payment Amounts** |
| What will the monthly payments be for the first year of the loan? |
| Does this include taxes and insurance? Condo or homeowner's association fees?<br>If not, what are the estimates for these amounts? |
| What will my monthly payment be after 12 months if the index rate…<br>…stays the same? |
| …goes up 2%? |
| …goes down 2%? |
| What is the **most** my minimum monthly payment could be after 1 year? |
| What is the **most** my minimum monthly payment could be after 3 years? |
| What is the **most** my minimum monthly payment could be after 5 years? |

| | Fixed-Rate Mortgage | ARM 1 | ARM 2 | ARM 3 |
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# What is an ARM?

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

To compare two ARMs, or to compare an ARM with a fixed-rate mortgage, you need to know about indexes, margins, discounts, caps on rates and payments, negative amortization, payment options, and recasting (recalculating) your loan. You need to consider the maximum amount your monthly payment could increase. Most importantly, you need to know what might happen to your monthly mortgage payment in relation to your future ability to afford higher payments.

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

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

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

### Lenders and Brokers

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

# How ARMs work: the basic features

## Initial rate and payment

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

## The adjustment period

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

**Loan Descriptions**

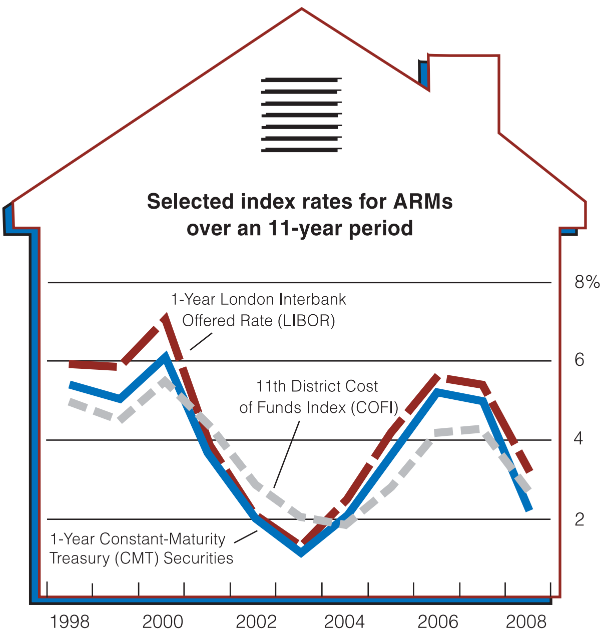
**Lenders must give you written information on each type of ARM loan you are interested in. The information must include the terms and conditions for each loan, including information about the index and margin, how your rate will be calculated, how often your rate can change, limits on changes (or *caps*),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

## The index

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

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

To help you get an idea of how to compare different indexes, the following chart shows a few common indexes over an 11-year period (1996–2008). As you can see, some index rates tend to be higher than others, and some change more often. But if a lender bases interest-rate adjustments on the average value of an index over time, your interest rate would not change as dramatically.




## The margin

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

| | |
|---|---|
| Index | 4% |
| + Margin | 3% |
| Fully indexed rate | 7% |

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

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

**No-Doc/Low-Doc Loans**

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

## Interest-rate caps

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

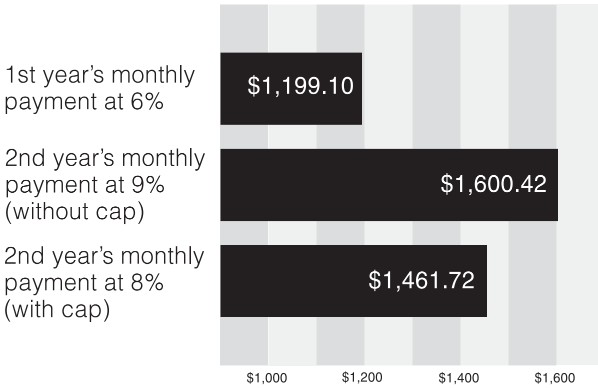
- *A periodic adjustment cap*, which limits the amount the interest rate can adjust up or down from one adjustment period to the next after the first adjustment, and
- *A lifetime cap*, which limits the interest-rate increase over the life of the loan. By law, virtually all ARMs must have a lifetime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

### Periodic adjustment caps

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

**Examples in This Handbook**

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




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

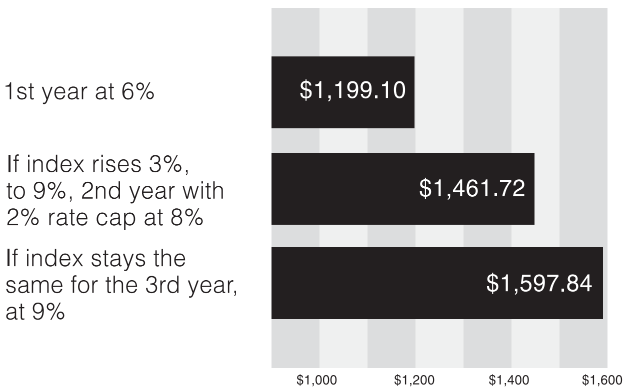
In this example, because of the cap on your loan, your monthly payment in year 2 is $138.70 per month lower than it would be without the cap, saving you $1,664.40 over the year.

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

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

The following example shows how carryovers work. Suppose the index on your ARM increased 3% during the first year.

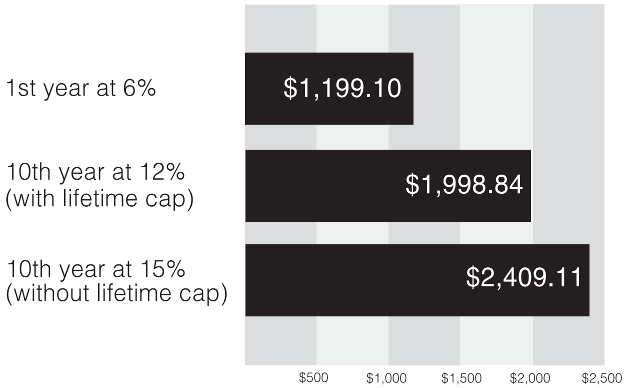
Because this ARM limits rate increases to 2% at any one time, the rate is adjusted by only 2%, to 8% for the second year. However, the remaining 1% increase in the index carries over to the next time the lender can adjust rates. So, when the lender adjusts the interest rate for the third year, even if there has been no change in the index during the second year, the rate still increases by 1%, to 9%.




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

### Lifetime caps

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

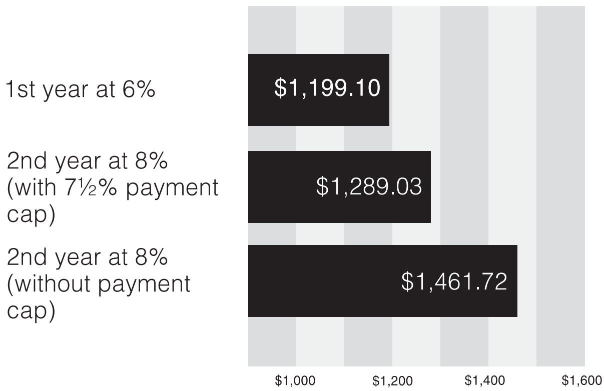



## Payment caps

In addition to interest-rate caps, many ARMs—including payment-option ARMs (discussed on page 16)—limit, or cap, the amount your monthly payment may increase at the time of each adjustment. For example, if your loan has a payment cap of 7½%, your monthly payment won't increase more than 7½% over your previous payment, even if interest rates rise more. For example, if your monthly payment in year 1 of your mortgage was $1,000, it could only go up to $1,075 in year 2 (7½% of $1,000 is an additional $75). Any interest you don't pay because of the payment cap will be added to the balance of your loan. A payment cap can limit the increase to your monthly payments but also can add to the amount you owe on the loan. (This is called *negative amortization*, a term explained on page 22.)

Let's assume that your rate changes in the first year by 2 percentage points, but your payments can increase no more than 7½% in any 1 year. The following graph shows what your monthly payments would look like.

While your monthly payment will be only $1,289.03 for the




Difference in monthly payment = $172.69

second year, the difference of $172.69 each month will be added to the balance of your loan and will lead to negative amortization.

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

# Types of ARMs

## Hybrid ARMs

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

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

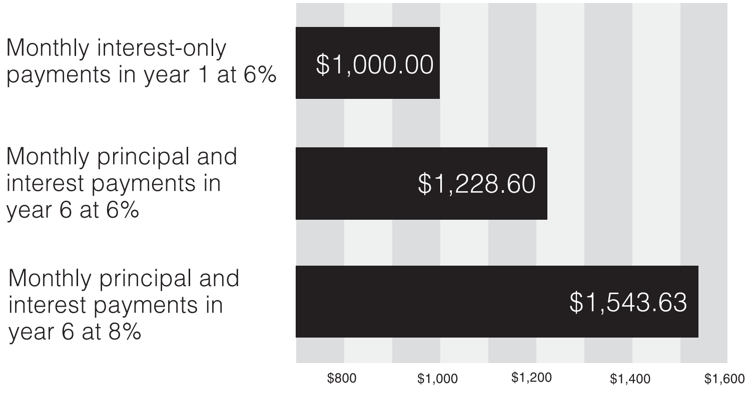
You may also see ads for 2/28 or 3/27 ARMs—the first number tells you how many years the fixed interest-rate period will be, and the second number tells you the number of years the rates on the loan will be adjustable. Some 2/28 and 3/27 mortgages adjust every 6 months, not annually.

## Interest-only (I-O) ARMs

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

For some I-O loans, the interest rate adjusts during the I-O period as well.

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




## Payment-option ARMs

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

- *a traditional payment of principal and interest*, which reduces the amount you owe on your mortgage. These payments are based on a set loan term, such as a 15-, 30-, or 40-year payment schedule.

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

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

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

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

More information on interest-only and payment-option ARMs is available in a Federal Reserve Board brochure, *Interest-Only Mortgage Payments and Payment-Option ARMs—Are They for You?* (available online at www.federalreserve.gov/consumerinfo/mortgages.htm).

# Consumer cautions

## Discounted interest rates

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

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

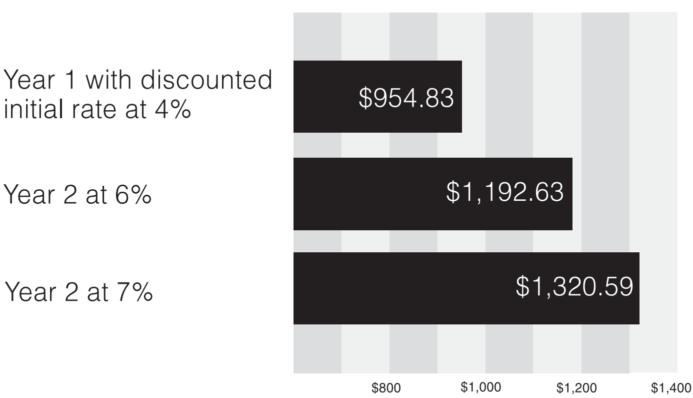
If a lender offers you a loan with a discount rate, don’t assume that means that the loan is a good one for you. You should carefully consider whether you will be able to afford higher payments in later years when the discount expires and the rate is adjusted.

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

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

## Payment shock

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



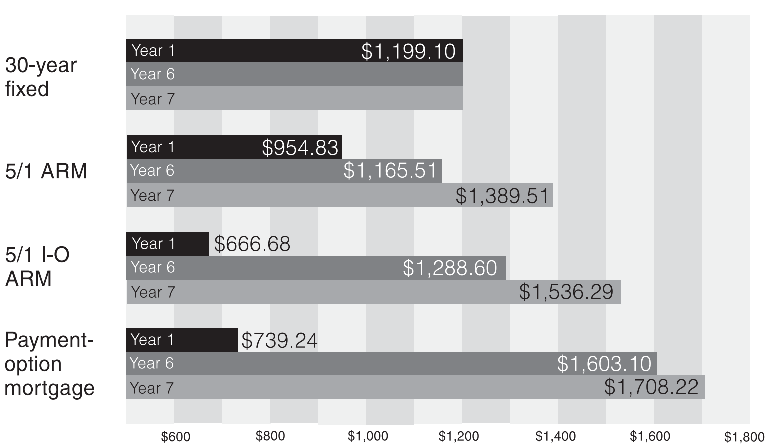

As the example shows, even if the index rate were to stay the same, your monthly payment would go up from $954.83 to $1,192.63 in the second year.

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

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

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

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



## Negative amortization—When you owe more money than you borrowed

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

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

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

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

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

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

## Home Prices, Home Equity, and ARMs

**Sometimes home prices rise rapidly, allowing people to quickly build equity in their homes. This can make some people think that even if the rate and payments on their ARM get too high, they can avoid those higher payments by refinancing their loan or, in the worst case, selling their home. It's important to remember that home prices do not always go up quickly—they may increase a little or remain the same, and sometimes they fall. If housing prices fall, your home may not be worth as much as you owe on the mortgage. Also, you may find it difficult to refinance your loan to get a lower monthly payment or rate. Even if home prices stay the same, if your loan lets you make minimum payments (see *payment-option ARMs* on page 16), you may owe your lender more on your mortgage than you could get from selling your home.**

## Prepayment penalties and conversion

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

### Prepayment penalties

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

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

Sometimes there is a trade-off between having a prepayment penalty and having lower origination fees or lower interest rates.

The lender may be willing to reduce or eliminate a prepayment penalty based on the amount you pay in loan fees or on the interest rate in the loan contract.

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

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

### Conversion fees

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

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

## Graduated-payment or stepped-rate loans

Some fixed-rate loans start with one rate for 1 or 2 years and then change to another rate for the remaining term of the loan. While these are not ARMs, your payment will go up according to the terms of your contract. Talk with your lender or broker and read the information provided to you to make sure you understand when and by how much the payment will change.

# Where to get information

## Disclosures from lenders

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

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

You may want to talk with financial advisers, housing counselors, and other trusted advisers. Contact a local housing counseling agency, call the U.S. Department of Housing and Urban Development toll-free at 800-569-4287, or visit www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm to find an agency near you.

Also, see our *Where to go for help* on page A6, for a list of federal agencies that can provide more information and assistance.

## Newspapers and the Internet

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

The Mortgage Shopping Worksheet on page 2 may also help you. Take it with you when you speak to each lender or broker, and write down the information you obtain. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

## Advertisements

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

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

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

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# Glossary

### Adjustable-rate mortgage (ARM)

A mortgage that does not have a fixed interest rate. The rate changes during the life of the loan based on movements in an index rate, such as the rate for Treasury securities or the Cost of Funds Index. ARMs usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates increase, generally your loan payments increase; and when interest rates decrease, your monthly payments may decrease.

### Annual percentage rate (APR)

The cost of credit expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

### Balloon payment

A large extra payment that may be charged at the end of a mortgage loan or lease.

### Buydown

When the seller pays an amount to the lender so that the lender can give you a lower rate and lower payments, usually for an initial period in an ARM. The seller may increase the sales price to cover the cost of the buydown. Buydowns can occur in all types of mortgages, not just ARMs.

### Cap, interest rate

A limit on the amount that your interest rate can increase. The two types of interest rate caps are *periodic adjustment caps* and *lifetime caps*. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next. *Lifetime caps* limit the interest-rate increase over the life of the loan. All adjustable-rate mortgages have an overall cap.

### Cap, payment

A limit on the amount that your monthly mortgage payment on a loan may change, usually a percentage of the loan. The limit can be applied each time the payment changes or during the life of the mortgage. Payment caps may lead to negative amortization because they do not limit the amount of interest the lender is earning.

### Conversion clause

A provision in some ARMs that allows you to change the ARM to a fixed-rate loan at some point during the term. Conversion is usually allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed-rate mortgages. The conversion feature may be available at extra cost.

### Discounted initial rate (also known as a start rate or teaser rate)

In an ARM with a discounted initial rate, the lender offers you a lower rate and lower payments for part of the mortgage term (usually for 1, 3, or 5 years). After the discount period, the ARM rate will probably go up depending on the index rate. Discounts can occur in all types of mortgages, not just ARMs.

### Equity

In housing markets, equity is the difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans. In vehicle leasing markets, equity is the positive difference between the trade-in or market value of your vehicle and the loan payoff amount.

### Hybrid ARM

These ARMs are a mix—or a hybrid—of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first several years of the loan; after that period, the rate can adjust annually. For example, hybrid ARMs can be advertised as 3/1 or 5/1—the first number tells you how long the fixed interest-rate period will be and the second number tells you how often the rate will adjust after the initial period. For example, a 3/1 loan has a fixed rate for the first 3 years and then the rate adjusts once each year beginning in year 4.

### Index

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. *See also* the chart on page 8, *Selected index rates for ARMs over an 11-year period*, for examples of common indexes that have changed in the past.

### Interest

The rate used to determine the cost of borrowing money, usually stated as a percentage and as an annual rate.

### Interest-only (I-O) ARM

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

### Margin

The number of percentage points the lender adds to the index rate to calculate the interest rate of an adjustable-rate mortgage (ARM) at each adjustment.

### Negative amortization

Occurs when the monthly payments in an adjustable-rate mortgage loan do not cover all the interest owed. The interest that is not paid in the monthly payment is added to the loan balance. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that are not high enough to cover the interest due or when the minimum payments are set at an amount lower than the amount you owe in interest.

### Payment-option ARM

An ARM that allows the borrower to choose among several payment options each month. The options typically include (1) a traditional amortizing payment of principal and interest, (2) an interest-only payment, or (3) a minimum (or limited) payment that may be less than the amount of interest due that month. If the borrower chooses the minimum-payment option, the amount of any interest that is not paid will be added to the principal of the loan. *See also* Negative amortization on page A4.

### Points (also called discount points)

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if the mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that the borrower voluntarily chooses to pay in return for a lower interest rate.

### Prepayment penalty

Extra fees that may be due if you pay off your loan early by refinancing the loan or by selling the home. The penalty is usually limited to the first 3 to 5 years of the loan's term. If your loan includes a prepayment penalty, make sure you understand the cost. Compare the length of the prepayment penalty period with the first adjustment period of the ARM to see if refinancing is cost-effective before the loan first adjusts. Some loans may have a prepayment penalty even if you make a partial prepayment. Ask the lender for a loan without a prepayment penalty and the cost of that loan.

### Principal

The amount of money borrowed or the amount still owed on a loan.

# Where to go for help

For additional information or to file a complaint about a bank, savings and loan, credit union, or other financial institution, contact one of the following federal agencies, depending on the type of institution.

| Regulatory Agency | Regulated Entity(ies) | Telephone/Website |
|---|---|---|
| Federal Reserve Consumer Help<br>P.O. Box 1200<br>Minneapolis, MN 55480 | Federally insured state-chartered bank members of the Federal Reserve System | (888) 851-1920<br>www.federalreserveconsumerhelp.gov |
| Consumer Financial Protection Bureau (CFPB)<br>P.O. Box 4503<br>Iowa City, IA 52244 | Insured depository institutions and credit unions (and their affiliates) with assets greater than $10 billion, and nondepository institutions such as mortgage originators, mortgage brokers and servicers, larger participants of other financial services products, private education loan providers, and payday lenders | (855) 411-2372<br>www.consumerfinance.gov |
| Office of the Comptroller of the Currency (OCC)<br>Customer Assistance Unit<br>1301 McKinney Street<br>Suite 3450<br>Houston, TX 77010 | National banks and federally chartered savings banks/associations | (800) 613-6743<br>www.occ.treas.gov<br>www.helpwithmybank.gov |
| Federal Deposit Insurance Corporation (FDIC)<br>Consumer Response Center<br>1100 Walnut Street, Box #11<br>Kansas City, MO 64106 | Federally insured state-chartered banks that are not members of the Federal Reserve System | (877) ASK-FDIC or<br>(877) 275-3342<br>www.fdic.gov<br>www.fdic.gov/consumers |

| Regulatory Agency | Regulated Entity(ies) | Telephone/Website |
|---|---|---|
| Federal Housing Finance Agency (FHFA)<br>Consumer Communications<br>Constitution Center<br>400 7th Street, S.W.<br>Washington, DC 20024 | Fannie Mae, Freddie Mac, and the Federal Home Loan Banks | (202) 649-3811<br>www.fhfa.gov<br>www.fhfa.gov/Default.aspx?Page=369 |
| National Credit Union Administration (NCUA)<br>Consumer Assistance<br>1775 Duke Street<br>Alexandria, VA 22314-3428 | Federally chartered credit unions | (800) 755-1030<br>www.ncua.gov<br>www.mycreditunion.gov |
| Federal Trade Commission (FTC)<br>Consumer Response Center<br>600 Pennsylvania Avenue, N.W.<br>Washington, DC 20580 | Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus | (877) FTC-HELP or<br>(877) 382-4357<br>www.ftc.gov<br>www.ftc.gov/bcp |
| Securities and Exchange Commission (SEC)<br>Complaint Center<br>100 F Street, N.E.<br>Washington, DC 20549-0213 | Brokerage firms, mutual fund companies, and investment advisers | (202) 551-6551<br>www.sec.gov<br>www.sec.gov/complaint/question.shtml |
| Farm Credit Administration<br>Office of Congressional and Public Affairs<br>1501 Farm Credit Drive<br>McLean, VA 22102-5090 | Agricultural lenders | (703) 883-4056<br>www.fca.gov |
| Small Business Administration (SBA)<br>Consumer Affairs<br>409 3rd Street, S.W.<br>Washington, DC 20416 | Small business lenders | (800) U-ASK-SBA or<br>(800) 827-5722<br>www.sba.gov |

| Regulatory Agency | Regulated Entity(ies) | Telephone/Website |
|---|---|---|
| Commodity Futures Trading Commission (CFTC)<br>1155 21st Street, N.W.<br>Washington, DC 20581 | Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers | (866) 366-2382<br>www.cftc.gov/Consumer-Protection |
| U.S. Department of Justice (DOJ)<br>Criminal Division<br>950 Pennsylvania Avenue, N.W.<br>Washington, DC 20530 | Fair lending and fair housing issues | (202) 514-3301<br>www.justice.gov/criminal |
| Department of Housing and Urban Development (HUD)<br>Office of Fair Housing/<br>Equal Opportunity<br>451 7th Street, S.W.<br>Washington, DC 20410 | Fair lending and fair housing issues | (800) 669-9777<br>www.hud.gov/complaints |

# More resources

*Looking for the Best Mortgage—Shop, Compare, Negotiate*
(at www.federalreserve.gov/pubs/mortgage/mortb_1.htm)

*Interest-Only Mortgage Payments and Payment-Option ARMs—Are They for You?*
(at www.federalreserve.gov/pubs/mortgage_interestonly/)

*A Consumer's Guide to Mortgage Lock-Ins*
(at www.federalreserve.gov/pubs/lockins/default.htm)

*A Consumer's Guide to Mortgage Settlement Costs*
(at www.federalreserve.gov/pubs/settlement/default.htm)

*Know Before You Go . . .To Get a Mortgage: A Guide to Mortgage Products and a Glossary of Lending Terms*
(at www.bos.frb.org/consumer/knowbeforeyougo/mortgage/mortgage.pdf)

**Partners Online Mortgage Calculator**
(at www.frbatlanta.org/partnerssoftwareonline/dsp_main.cfm)

For more information on mortgage and other financial topics, including interactive calculators, visit www.federalreserve.gov/consumerinfo.

# Your home loan toolkit

## A step-by-step guide

Consumer Financial
Protection Bureau

# How can this toolkit help you?

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

## After you finish this toolkit:



## How to use the toolkit:

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

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

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

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

### About the CFPB

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

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

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

# Choosing the best mortgage for you

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

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

**IN THIS SECTION**



## 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.

**THE TALK**

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

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

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

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

## KNOW YOUR NUMBERS

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

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

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

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

| | MONTHLY ESTIMATE |
|---|---|
| **Principal and interest (P&I)**<br>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**<br>Mortgage insurance is often required for loans with less than a 20% down payment. | + $ |
| **Property taxes**<br>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**<br>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**<br>Condominiums and other planned communities often require homeowner's association (HOA) fees. | + $ |
| **My estimated total monthly home payment** | = $ |

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

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

| $ | ÷ | $ | × 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 *after* taxes | $ |
| 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**<br>This money must cover your utilities, groceries, child care, health insurance, repairs, and everything else. If this isn't enough, consider options such as buying a less expensive home or paying down debts. | = $ |

### Step 4. Your choice

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

## 2. Understand your credit

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

### RESEARCH STARTER

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

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

**TIP**

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

**TIP**

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

### NOW

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

### IN THE FUTURE

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

### YOUR CHOICE

*Check one:*

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

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

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

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

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

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

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

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

**TIP**

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

**YOUR CHOICE**
*Check one:*

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

## Check for risky loan features

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

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

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

## 4. Choose the right down payment for you

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

**YOUR CHOICE**
*Check one:*

| YOUR DOWN PAYMENT | WHAT THAT MEANS FOR YOU |
|---|---|
| ☐ 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. |
| ☐ I will put down between 5% and 19%. | 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.<br><br>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. |
| ☐ I will make no down payment or a small one of less than 5%. | 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.<br><br>Ask about loan programs such as:<br>▪ Conventional loans that may offer low down payment options.<br>▪ FHA, which offers a 3.5% down payment program.<br>▪ VA, which offers a zero down payment option for qualifying veterans.<br>▪ 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 | You might agree to pay $675 more in closing costs, in exchange for a lower rate of 4.875%.<br><br>**Now:** You **pay** $675<br><br>**Over the life of the loan:** Pay $14 **less** each month | With no adjustments in either direction, it is easier to understand what you're paying and to compare prices. | You might agree to a higher rate of 5.125%, in exchange for $675 toward your closing costs.<br><br>**Now:** You **get** $675<br><br>**Over the life of the loan:** Pay $14 **more** each month |

## 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.

> **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.

### 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.

### 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 | % | % | % |
| | ☐ Fixed<br>☐ Adjustable | ☐ Fixed<br>☐ Adjustable | ☐ Fixed<br>☐ Adjustable |
| Monthly principal and interest | $ | $ | $ |
| Monthly mortgage insurance | $ | $ | $ |
| Total Loan Costs<br>*(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. | HUD-approved housing counselors can help you navigate the process and find programs available to help first-time homebuyers.<br>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. |
| 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.<br><br>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.<br><br>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.

**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.

### 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.

- ☐ 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<br>123 Anywhere Street<br>Anytown, ST 12345 | **Loan Term** | 30 years |
| **Closing Date** | 4/15/2013 | | | **Purpose** | Purchase |
| **Disbursement Date** | 4/15/2013 | | | **Product** | Fixed Rate |
| **Settlement Agent** | Epsilon Title Co. | **Seller** | Steve Cole and Amy Doe<br>321 Somewhere Drive<br>Anytown, ST 12345 | | |
| **File #** | 12-3456 | | | **Loan Type** | ☒ Conventional ☐ FHA<br>☐ VA ☐ ____________ |
| **Property** | 456 Somewhere Ave<br>Anytown, ST 12345 | **Lender** | Ficus Bank | **Loan ID #** | 123456789 |
| **Sale Price** | $180,000 | | | **MIC #** | 000654321 |

| **Loan Terms** | | **Can this amount increase after closing?** |
|---|---|---|
| **Loan Amount** | $162,000 | **NO** |
| **Interest Rate** | 3.875% | **NO** |
| **Monthly Principal & Interest**<br>*See Projected Payments below for your Estimated Total Monthly Payment* | $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<br>*Amount can increase over time* | + 206.13 | + 206.13 |
| **Estimated Total Monthly Payment** | $1,050.26 | $967.91 |

| | | | |
|---|---|---|---|
| **Estimated Taxes, Insurance & Assessments**<br>*Amount can increase over time*<br>*See page 4 for details* | $356.13<br>a month | **This estimate includes**<br>☒ Property Taxes<br>☒ Homeowner's Insurance<br>☒ Other: Homeowner's Association Dues<br>*See Escrow Account on page 4 for details. You must pay for other property costs separately.* | **In escrow?**<br>**YES**<br>**YES**<br>**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.

#### Prepaids

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 At Closing | Borrower-Paid Before Closing | Seller-Paid At Closing | Seller-Paid Before Closing | Paid by Others |
|---|---|---|---|---|---|
| **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 | Borrower-Paid At Closing | Borrower-Paid Before Closing | Seller-Paid At Closing | Seller-Paid Before Closing | Paid by Others |
|---|---|---|---|---|---|
| **E. Taxes and Other Government Fees** | **$85.00** | | | | |
| 01 Recording Fees Deed: $40.00 Mortgage: $45.00 | $85.00 | | | | |
| 02 Transfer Tax to Any State | | | $950.00 | | |
| **F. Prepaids** | **$2,120.80** | | | | |
| 01 Homeowner's Insurance Premium ( 12 mo.) to Insurance Co. | $1,209.96 | | | | |
| 02 Mortgage Insurance Premium ( mo.) | | | | | |
| 03 Prepaid Interest ( $17.44 per day from 4/15/13 to 5/1/13 ) | $279.04 | | | | |
| 04 Property Taxes ( 6 mo.) to Any County USA | $631.80 | | | | |
| 05 | | | | | |
| **G. Initial Escrow Payment at Closing** | **$412.25** | | | | |
| 01 Homeowner's Insurance $100.83 per month for 2 mo. | $201.66 | | | | |
| 02 Mortgage Insurance per month for mo. | | | | | |
| 03 Property Taxes $105.30 per month for 2 mo. | $210.60 | | | | |
| 04 | | | | | |
| 05 | | | | | |
| 06 | | | | | |
| 07 | | | | | |
| 08 Aggregate Adjustment | – 0.01 | | | | |
| **H. Other** | **$2,400.00** | | | | |
| 01 HOA Capital Contribution to HOA Acre Inc. | $500.00 | | | | |
| 02 HOA Processing Fee to HOA Acre Inc. | $150.00 | | | | |
| 03 Home Inspection Fee to Engineers Inc. | $750.00 | | | $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.

### 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.

### 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)

## 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.

**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 | |

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## 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.

CLOSING DISCLOSURE PAGE 4 OF 5 • LOAN ID # 123456789

**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.

**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

CLOSING DISCLOSURE    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.

**IN THIS SECTION**



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.

## 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. 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

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