

Your closing forms, explained

[Closing Disclosure interactive tool](#)

Promissory Note	1
Mortgage / Security Instrument.....	2
Initial Escrow Disclosure	3
Right to Cancel form	4



Consumer Financial
Protection Bureau

Learn more at consumerfinance.gov/owning-a-home

Promissory Note

The Note is the legal document you sign to agree to repay your mortgage. The Note will provide you with details regarding your loan, including the amount you owe, the interest rate of the mortgage loan, the dates when the payments are to be made, the length of time for repayment, and the place where the payments are to be sent. The Note also explains the consequences of failing to make your monthly mortgage payments. **Read this document carefully.** If something is different from what you agreed upon, contact your lender right away.

Breaking down the form

- 1. Total amount of money you are borrowing.
- 2. This is your interest rate. If you have an adjustable rate mortgage, this is your initial interest rate.
- 3. This section explains the consequences of being late on your monthly payment.
- 4. This sample form is for a fixed rate. However, if the loan is an Adjustable Rate Mortgage (ARM) you will find an explanation for the way that your interest rate can change, and any caps on how much it could increase.

Get a copy of the [Promissory Note](#) ↗

NOTE

[Date] [City] [State]

[Property Address]

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$

1

 (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is . I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of

2

 %.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

3

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

MULTISTATE FIXED RATE NOTE—Single Family—Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

Form 3200 1/01 (page 2 of 3 pages)

(of 3 pages)

Mortgage / Security Instrument

This document may be called the Mortgage, Security Instrument, or Deed of Trust. When you sign this document, you are giving the lender the right to take your property by foreclosure if you fail to pay your mortgage according to the terms you've agreed to. This document restates the basic information included in the Promissory Note, as well as explains your responsibilities and rights as a borrower. The mortgagee refers to the lender or the "recipient of the mortgage."

Breaking down the Mortgage

Occupancy: Note that if the Occupancy section states that you will occupy the property as your principal residence, then you must do so. If you do not move in and continue to use the property as your principal residence according to the conditions in this section, you could risk foreclosure.

Hazardous Substances: This states that you are not allowed to store hazardous materials in your home. If you do, you are violating the terms of your loan and your lender could foreclose.

[Get a copy of a sample Mortgage](#) 

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides

Acceleration: This states that if you do not make your monthly mortgage payments on time, or if you do not abide by the other conditions of the loan (e.g. having current homeowners insurance), your lender can declare your loan in default. If your loan is in default, your lender has a right to demand that you pay your entire loan off immediately. If you can't pay, the lender can start foreclosure proceedings.



Initial Escrow Disclosure

The Initial Escrow Disclosure Statement details the specific charges that you will pay into escrow each month as part of a mortgage agreement.

Breaking down the form

- 1. Your monthly payment includes your current payment for principal and interest on your loan plus extra money put into "escrow" for upcoming tax and insurance bills.
- 2. This section shows how your escrow money will be spent. Each line includes your monthly escrow payment, any disbursements (withdrawals) to pay taxes and insurance bills, and the running balance held in the account. Note that the escrow amounts could change over time. Also note that anything that is paid out of the escrow account, you will not have to pay separately.

1

2

INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT

Your monthly mortgage payment until your next escrow analysis will consist of the following:

Principal and Interest:

Escrow:

Total Monthly Payment:

\$ 955.05

\$ 49.51

\$1,004.56

The following are anticipated disbursements and deposits from your escrow account during the coming year:

Month	Deposits to Escrow	Disbursements From Escrow	Description	Escrow Account Balances
Initial deposit				\$ 58.95
SEPTEMBER	\$ 49.51	\$		\$ 108.46
OCTOBER	\$ 49.51	\$		\$ 157.97
NOVEMBER	\$ 49.51	\$		\$ 207.48
DECEMBER	\$ 49.51	\$		\$ 256.99
JANUARY	\$ 49.51	\$		\$ 286.50
FEBRUARY	\$ 49.51	\$		\$ 356.01
MARCH	\$ 49.51	\$ 177.03	CITY TAX	\$ 288.49
APRIL	\$ 49.51	\$		\$ 278.00
MAY	\$ 49.51	\$		\$ 327.51
JUNE	\$ 49.51	\$		\$ 377.02
JULY	\$ 49.51	\$ 240.00	HAZARD INSURANCE	\$ 186.53
AUGUST	\$ 49.51	\$ 177.03	CITY TAX	\$ 59.01

PLEASE KEEP THIS STATEMENT TO COMPARE WITH THE ACTUAL ACTIVITY THAT WILL OCCUR IN YOUR ESCROW ACCOUNT DURING THE UPCOMING YEAR.

Cushion: \$ 59.01

Itemization of anticipated disbursements from your escrow account:

07/01/02	HAZARDINS		240.00
03/01/02	CITY TAX		177.03
	FLDINSUR		
	ANNUALPMI		
09/01/02	CNTY TAX		177.03
	CITY TAX		
	ANN ASSESS		

NOTE: The Real Estate Settlement Procedures Act (RESPA) establishes specific guidelines regarding the amount that lenders are permitted to collect for the payment of escrow items during the initial escrow computation year, i.e. the next twelve months. Unless authorized by you to do otherwise, your lender may collect only for disbursements that will occur during the coming year. If your monthly tax escrow amount has been based on unimproved (or lot) tax amounts or if your taxes were prepaid at closing and the next disbursement is not within the initial 12 month escrow computation year, your initial escrow amount for taxes will be lower than normal or may be zero. This may cause a significant increase in your monthly payment when your escrow account is analyzed in the normal twelve month timeframe. In order to minimize the amount of this payment increase, you may request an early analysis of your escrow account prior to the scheduled annual analysis.

Borrower

Date

Co-Borrower

Date

Get a copy of the
Initial Escrow Disclosure [↗](#)

Right to Cancel form

If you are refinancing a loan, you have a right to cancel the loan within three business days. This document explains the rules for when and how you can cancel your loan, and what happens if you do cancel the loan. If you are purchasing a new home with a mortgage, you do not have the right to cancel your loan after closing.

Breaking down the form

1. You have three business days to cancel the loan once all of these things have happened. In some circumstances you can have up to [three years](#) to cancel your loan if some of the information on your Closing Disclosure is missing or wrong.
2. Your [Closing Disclosure](#) fulfills this requirement.
3. To cancel your loan, notify your lender in writing at this address

[Get a copy of the Right to Cancel form](#) 

Form RD 1940-43
(Rev. 8-00)

UNITED STATES DEPARTMENT OF AGRICULTURE

Form Approved
OMB No. 0575-0172

☐ Rural Housing Service
☐ Rural Business-Cooperative Service
☐ Rural Utilities Service

Type Loan
Amount Financed
\$

NOTICE OF RIGHT TO CANCEL

To:

Your Right to Cancel You are entering into a transaction that will result in a mortgage on your home. You have a legal right under Federal law to cancel this transaction, without cost, until midnight of the third business day after, whichever of the following events occurs last:

- (1) the date of closing of the transaction,
- (2) the date you received your [Truth in Lending disclosure](#),
- (3) the date you received this notice of your right to cancel.

If you cancel the transaction, the mortgage is also canceled. Within 20 calendar days after we receive your notice, we must take the steps necessary to reflect the fact that the mortgage on your home has been canceled, and we must return to you any money or property you have given to us or to anyone else in connection with this transaction.

You may keep any money or property we have given you until we have done the things mentioned above, but you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not take possession of the money or property within 20 calendar days of your offer, you may keep it without further obligation.

How to Cancel

If you decide to cancel this transaction, you may do so by notifying the Agency as indicated above in writing, at

USDA,

3

(Field Office Address)

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.

If you cancel by mail or telegram, you must send the notice no later than midnight of _____, 20____ (or midnight of the third business day following the latest of the events listed above). If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I WISH TO CANCEL

(Signature)

(Date)

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Form RD 1940-43 (Rev. 8-00)