This guide to closing forms is consistent with current mortgage disclosure regulations.

On October 3, 2015, new regulations will take effect. Check back then for an updated guide.

Your closing forms, explained

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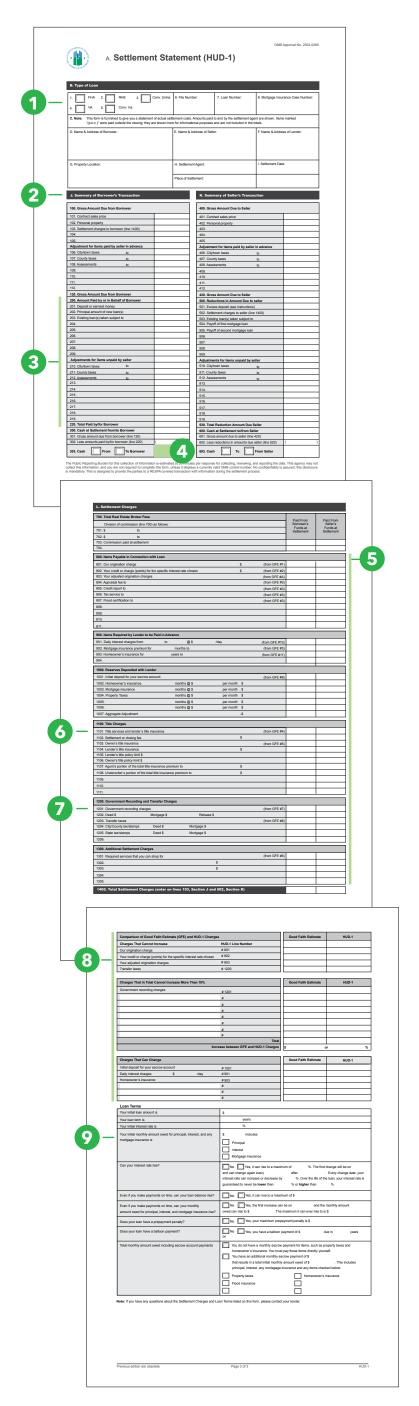
Settlement Statement (HUD-1)

The HUD-1 is a key document that lists all of the costs and credits with regard to your home purchase (or refinance) transaction. It is important to review this document carefully in order to ensure that you are receiving the loan you agreed to. Make sure to compare this document to your Good Faith Estimate (GFE) you received at application. If something is different from what you agreed upon, contact your lender right away.

Breaking down the form

- You should pay attention to the loan type that is checked off to ensure that it is the loan type you agreed to.
- 2. Section J lists all the costs that you will incur to purchase and finance your home.
- 3. Line items in the 200s are amounts that you have already paid or that will be paid with your mortgage loan.
- 4. This is the amount you will need to bring to closing. It is the total costs (line 120) minus the amount you have already paid or will be paid by your mortgage loan (line 220).
- 5. The costs on lines 800-1300 were estimated on your Good Faith Estimate. Check carefully to see if the amounts have changed or if there are new fees that were not reported on your Good Faith Estimate.
- 6. Title services deal with resolving title issues before closing and transferring ownership of the home to your name.
- **7.** When a home changes owners, transfer taxes are paid to the county government.
- 8. Some things in this section can change from what was originally listed on the GFE, while others cannot. For further explanation on what can and cannot change, visit Ask CFPB: Can the final mortgage costs be different from the Good Faith Estimate (GFE)?
- **9.** You should ensure that these details are the same as what is indicated in the promissory note.

Get a copy of the HUD-1 ₫





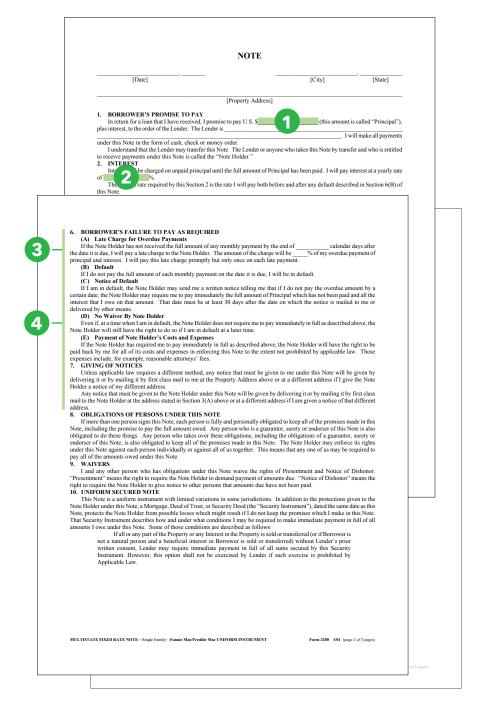
Promissory Note

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

- 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.
- 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 ♂





KNOW BEFORE YOU OWE: CLOSING TIME

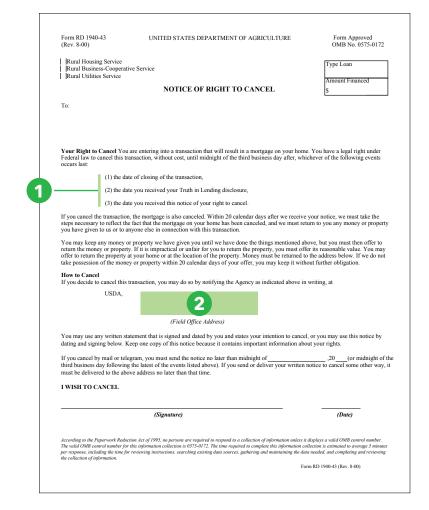
Right to Cancel form

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.

Breaking down the form

- 1. You have three business days to cancel the loan once all of these things have happened. If you do not receive your Truth In Lending (TIL) disclosure or if it contains errors, your three business days do not start until you have received a new, corrected TIL (up to three years from closing).
- 2. To cancel your loan, notify your lender in writing at this address

Get a copy of the Right of Recission form 🗗



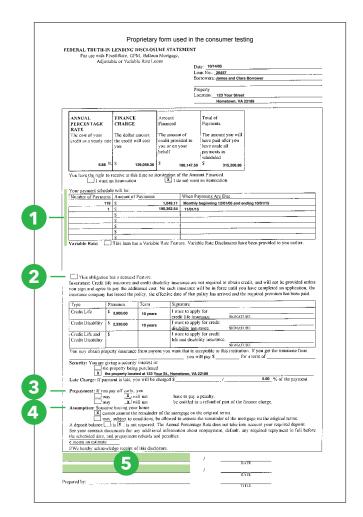


Truth in Lending Disclosure

This document summarizes the terms and conditions of your mortgage. Review the terms carefully to make sure that you are getting the loan you signed up for! The numbers and features should match the Truth In Lending disclosure that you received when you applied for your mortgage. If the numbers are different, ask your lender why.

Breaking down the form

- 1. This table lists the payments you will have to make. If you have an Adjustable Rate Mortgage (ARM) or a balloon loan, it is especially important to understand how your payments will change over time.
- 2. Check to see if this box is checked. If this box is checked (demand feature), this would allow the lender to demand repayment of the principal and interest amount of the loan for any reason. Be sure to check your mortgage contract (Deed of Trust) for any demand features and discuss them carefully before signing up for it.
- 3. This section defines what happens if you want to sell your home, refinance, or otherwise pay your loan off early. If the box is checked indicating that you may have to pay a penalty, make sure you understand what circumstances will trigger a penalty and how much the penalty will be. In most cases, if you pay off your loan early, you will not be entitled to a refund of the interest and finance charges already paid. If the box is checked



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indicating that you may be entitled to a refund, make sure to ask your lender in what circumstances you will be eligible for a refund.

- 4. This section defines what happens when someone else eventually buys your home. In most cases, the buyer will need to get a new mortgage. In some cases, the buyer may
- be able to "assume" your mortgage and simply take over making the payments.
- 5. Your signature on this form does not mean that you agree with this information, it just means that you have received it. If you have questions about the information on this form, contact your lender right away.



KNOW BEFORE YOU OWE: CLOSING TIME

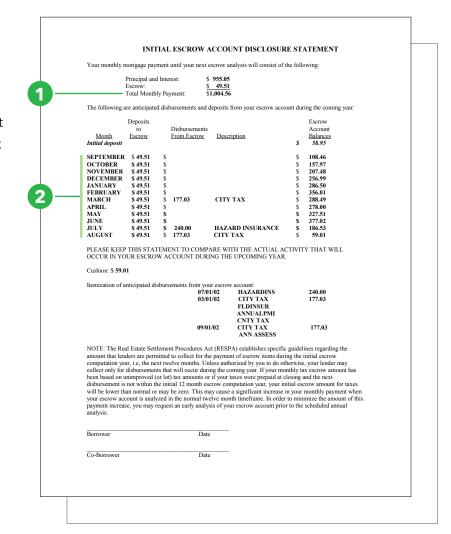
Initial Escrow Disclosure

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

- 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.

Get a copy of the Initial Escrow
Disclosure d





KNOW BEFORE YOU OWE: CLOSING TIME

Deed of Trust / Mortgage

This document may be called the Security Instrument, Deed of Trust, or Mortgage. 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

Section 6: Note that if Section 6 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.

Section 21: 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 Deed of Trust ♂ **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

Section 22: 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.

