# Your closing forms, explained

### Closing Disclosure interactive tool

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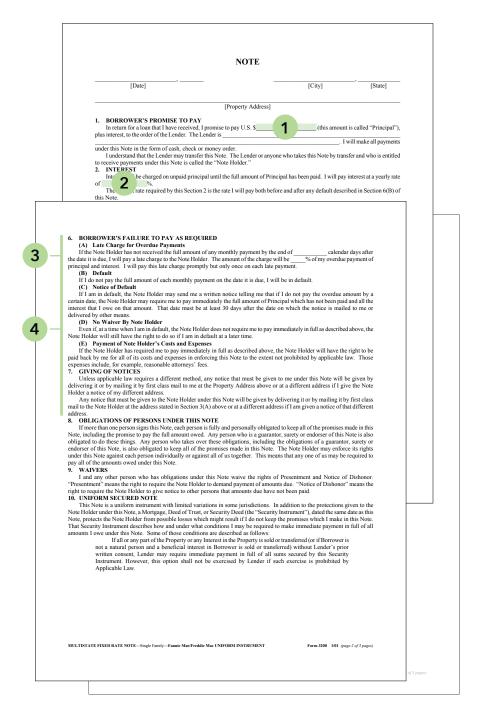
# **Promissory Note**

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 ₫





# 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.



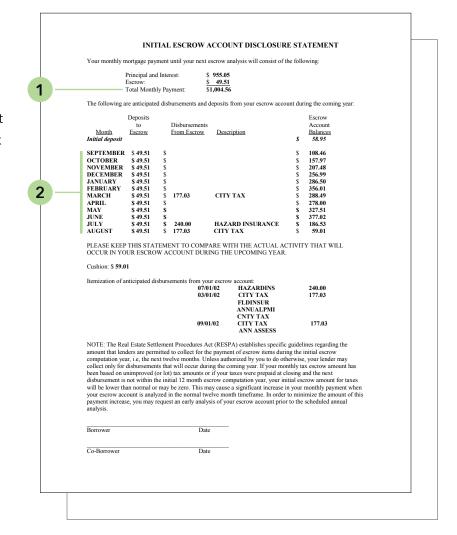
## Initial Escrow Disclosure

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.

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 ♂

