

COMMITTED TO TRANSPARENCY & EDUCATION FOR *Consumers*



UNDERSTANDING THE NEW LOAN ESTIMATE AND CLOSING DISCLOSURE FORMS

Mortgages are complex transactions. At North American Title, we want to make sure you have the information that will give you the knowledge and clarity you need to confidently acquire a mortgage to finance your home purchase.

REQUIRED MORTGAGE DISCLOSURES

There are many disclosures required to transact a mortgage. These disclosures were created over many years under the auspices of different federal regulators. In 2010, Congress passed the Dodd-Frank Act, which mandated these disclosures be combined and streamlined so it would be easier for consumers to understand the terms of their loan and shop for the best loan terms.

Two new forms were created to combine the traditional Good Faith Estimate, Truth in Lending disclosure and the HUD-1. The Loan Estimate and the Closing Disclosure will go into effect in 2015.

LOAN ESTIMATE

The Loan Estimate will be provided to you within three business days of applying for a mortgage loan. The Loan Estimate has three major sections:

- ▶ The first section shows the terms of the loan, including the loan amount, the interest rate, monthly principal and interest, and any special features, such as prepayment penalties.
- ▶ The second section details projected monthly payments, including principal and interest, mortgage insurance premium, estimated taxes, insurance and assessments.
- ▶ The third section lists estimated closing costs. Closings costs include a wide range of services needed to process your mortgage, including lender fees, as well as fees for home inspections, appraisals, surveys, title insurance and other services required by the lender.

The Loan Estimate can be used to shop around for the best mortgage to fit your situation.

CLOSING DISCLOSURE

Under the new regulations, the Closing Disclosure must be provided to you three business days before you become contractually obligated for your loan (generally when you sign your final loan documents). Just like the Loan Estimate, the Closing Disclosure lists information about your loan terms, monthly payments and closing costs. These are not estimates, however, but the actual and final terms of your loan.

REMEMBER: The Closing Disclosure is designed to work with the Loan Estimate so you can easily compare the two documents to ensure you are getting the terms promised to you. If you have any questions about your Closing Disclosure, it is important that you contact your loan officer immediately to discuss any concerns.

READ THIS DOCUMENT CAREFULLY. The Closing Disclosure will list every fee that you will be required to pay to finalize your mortgage, as well as tell you exactly how much money you must bring to the closing or final signing.