

Know Before You Owe:

Quantitative Study of the Current and Integrated TILA-RESPA Disclosures

Closing Disclosure

Closing Information
 Date Issued: 5/10/2013
 Closing Date: 5/14/2013
 Disbursement Date: 5/14/2013
 Agent: ABC Settlement
 File #: 01234
 Property: 456 Avenue A
 Anytown, MD 12345
 Sale Price: \$240,000

Transaction Information

Borrower: James White and Jane Doe
 123 Anywhere Street
 Anytown, MD 12345
Seller: John Wilson
 123 Somewhere Drive
 Anytown, MD 12345
Lender: ABC Bank

Projected Payments

Payment Calculation

Years 1-5

Years 6-8

Years 9-11

Years 12-15

\$789.32

\$1,266 min

\$1,266 min

\$1,266 min

only interest

\$1,582 max

\$1,664 max

\$1,664 max

+ 164.18

+ 164.18

+ 164.18

+ 164.18

+ 699.50

+ 699.50

+ 699.50

+ 699.50

\$1,653.00

\$2,130 - \$2,446

\$2,130 - \$2,528

\$1,960 - \$2,272

\$1,653.00

\$2,130 - \$2,446

\$2,130 - \$2,528

\$1,960 - \$2,272

\$1,653.00

\$2,130 - \$2,446

\$2,130 - \$2,528

\$1,960 - \$2,272

\$1,653.00

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\$2,130 - \$2,528

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\$2,130 - \$2,528

\$1,960 - \$2,272

\$1,653.00

\$2,130 - \$2,446

\$2,130 - \$2,528

\$1,960 - \$2,272

Loan Terms

Loan Amount: \$216,500

Interest Rate: 4.375%

Monthly Principal & Interest: \$789.32

See Projected Payments below for your
Estimated Total Monthly Payment

Can I Prepay? Principal & Interest

NO Mortgage Insurance

YES Estimated Escrow
Amount can increase over time

YES Estimated Total
Monthly Payment

Can I Prepay? Estimated Taxes, Insurance
& Assessments

Amount can increase over time

See Details on Page 4

\$842.09

a month

This estimate includes

☒ Property Taxes

☒ Homeowner's Insurance

☒ Other: Windstorm Insurance, HOA

See page 4 for escrowed property costs. You must pay for other
costs separately.

In escrow

YES

YES

SOME

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Quantitative Study of the Current and Integrated TILA-RESPA Disclosures

Presented to the
Consumer Financial Protection Bureau
November 20, 2013

Presented by
Kleimann Communication Group, Inc.
12600 Saint James Road
Rockville, Maryland 20850-3747
www.kleimann.com



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Executive Summary

Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) created the Consumer Financial Protection Bureau (CFPB). In the Act, the CFPB was directed to propose rules and disclosures that combine certain disclosures under the Truth in Lending Act (TILA) and sections 4 and 5 of the Real Estate Settlement Procedures Act (RESPA).¹ In January 2011, the CFPB began the Mortgage Disclosure Project to integrate the TILA and RESPA disclosures using a User-Centered Design Process with two phases: a Qualitative Study and a Quantitative Study.

For the Qualitative Study, the CFPB team conducted ten rounds of consumer testing to develop and test the integrated disclosures—a Loan Estimate and a Closing Disclosure.² The Loan Estimate was developed and tested with consumers in five rounds of testing, the Closing Disclosure in two rounds of testing, and the Loan Estimate and Closing Disclosure together in three rounds of testing. Through the qualitative testing, the CFPB obtained data showing that consumers could comprehend the proposed disclosures and explain a rationale for their choices. The data indicated that consumers could compare the information on two disclosures, choose a loan, and use the disclosures to compare initial and final loan terms and costs. In its Proposed Rule on July 9, 2012, the CFPB proposed the Loan Estimate, an integrated disclosure that would be provided after consumers apply for a mortgage loan, and the Closing Disclosure, an integrated disclosure that would be provided before the loan closing.³ The intent was that the Loan Estimate would replace the initial TILA disclosure and the Good Faith Estimate (GFE) provided at application and that the Closing Disclosure would replace the final TILA disclosure and the uniform settlement statement (the HUD-1).

After issuing the proposal, the CFPB began the Quantitative Study, which it planned to complete before issuing the Final Rule. The Quantitative Study focused on validating the effectiveness of the CFPB's integrated disclosures and evaluating their performance compared to the current disclosures.

1 See Dodd-Frank Act Section 1032 (f).

2 See Kleimann Communication Group. July 2012. *Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures*. Available at www.consumerfinance.gov/knowbeforeyouowe.

3 77 FR 51116 (Aug. 23, 2012).

During this same period, the CFPB received public comments on most aspects of the proposal until November 6, 2012.⁴ The CFPB team analyzed these comments for, among other things, suggested changes to the proposed disclosures. Based on these comments, the team made several minor changes to the proposed disclosures to increase consistency within and between the Loan Estimate and Closing Disclosure.⁵ The public comment period also produced three development suggestions for the disclosures: (1) a Spanish translation of the Loan Estimate and the Closing Disclosure; (2) a Loan Estimate and Closing Disclosure adapted for refinance transactions; and (3) concerns about Closing Costs in all transactions. Before issuing the final rule, the CFPB evaluated versions of the integrated disclosures that addressed these comments in additional qualitative testing, which is described in a separate report.⁶

This report presents the quantitative testing results of the current and proposed disclosures and the conclusions made based on those results. It also presents the final Loan Estimate and the final Closing Disclosure designs.

The Quantitative Study

The Quantitative Study was conducted to validate the designs and performance of the integrated disclosures from the Qualitative Study and to compare the performance of the current disclosures and the CFPB's proposed integrated disclosures. The study used a controlled experiment to assess consumers' understanding and use of the current mortgage disclosures versus the proposed mortgage disclosures. It involved a 2 x 2 x 2 x 2 between-subjects factorial design that included the following factors:

1. Disclosure Type: current versus proposed;
2. Loan Type: fixed rate versus adjustable rate;
3. Difficulty: easier versus more challenging loans; and
4. Consumer: inexperienced versus experienced.

Methodology

The study used in-person, proctored, small group sessions with 858 respondents divided into two groups—experienced respondents (424) and inexperienced respondents (434)—in 20 locations across the Census Bureau regions and sub-regions in the continental United States. To be eligible for the study, respondents needed to meet the following criteria:

- 4 The Proposed Rule provided for a bifurcated comment process. Comments regarding the proposed amendments to 12 CFR 1026.1(c) were required to be received on or before September 7, 2012. For all other proposed amendments and comments pursuant to the Paperwork Reduction Act, comments were required to be received on or before November 6, 2012.
- 5 We used these revised disclosures in the Quantitative Study, but because the modifications were relatively minor and for ease of reference, we refer to them as the Proposed Disclosures throughout this report.
- 6 See Kleimann Communication Group. November 20, 2013. *Post-Proposal Consumer Testing of Spanish and Refinance TILA-RESPA Disclosures*. Available at www.consumerfinance.gov/knowbeforeyouowe.

- be 18 years or older;
- live in a household within 50 miles of the Designated Market Area (DMA) used for the interview;
- have purchased or refinanced a house in the last five years or have never purchased or have not purchased or refinanced a house in the last five years and have the intent to buy or refinance in the next two years; and
- agree to participate in the in-person session.

Respondents received initial and final disclosures with scenarios for the application and closing phases of the loan process. They only used either the current or proposed disclosures because this was a between-subjects design. All respondents received full-size disclosures, including a HUD-1 on legal-sized paper if they were in the current disclosures group. The disclosures were either fixed rate or adjustable rate loan sets and varied from easier to more challenging loans. More challenging loans contained negative amortization, interest only, or other such features. For all disclosures, the loan features changed from the initial disclosures to the final disclosures.

After completing a consent form and receiving a Privacy Act statement, each respondent completed a questionnaire with 48 questions during a 60-minute testing session. Respondents had to answer questions about both the initial and final disclosures. The questionnaire consisted of five parts:

- Part 1. Respondents reviewed two initial disclosures, selected which one they would choose, and provided a rationale for why they chose it (Task 1);
- Part 2. Respondents compared the terms of the two initial disclosures (Task 2);
- Part 3. Respondents answered questions about one of the two disclosures (Task 3);
- Part 4. Respondents compared one of the initial disclosures with a matching final disclosure (Task 4) and answered questions about the final disclosure (Task 5); and
- Part 5. Respondents rated the initial and final disclosures on three scales for ease of reading, ease of comparison, and ease of finding information.

The CFPB team developed the questionnaire using nine key topic areas identified by researchers and consumer advocates as critical for informed consumers. The topics included amortization, annual percentage rate (APR), closing costs/settlement charges, escrow account, interest rate, loan amount, monthly payments, mortgage insurance, and risk factors. The ninth topic—risk factors—included questions from the other 8 concept areas that relate to potential risks consumers would weigh in selecting a loan. These key topic areas are addressed by both the current and proposed disclosures.

The Analysis

Of the 48 questions included in the study, the heart of the analysis focused on responses to 39 key questions (Question 3 through Question 41) in Parts 2, 3, and 4 for both the current and proposed disclosures. Responses were scored as having been answered correctly or incorrectly based on the answer keys developed by the CFPB team. For each question, respondents were assigned a score of “1” if they answered the question correctly or if they were required to skip the question because of a correct answer to a prior question. Respondents were assigned a score of “0” if they failed to answer

the question correctly or if they were required to skip the question based on an incorrect answer to a prior question. Multiple correct answers were possible for a few questions (for example, Question 17). For these, respondents could receive partial credit (for example, a score of ½).

The analysis centered primarily on the accuracy scores assigned to respondents for these 39 key questions.

1. We looked at accuracy of responses with current versus proposed disclosures based on aggregate measures calculated across all the questions in Parts 2, 3, and 4. This analysis is similar to the analysis reported by the Federal Trade Commission (FTC) in its mortgage disclosure study in 2007.⁷
2. We looked at several sub-aggregate analyses that focused on questions grouped by the tasks performed by respondents and by the 9 specific content areas covered by the questions (for example, amortization, interest rate, and so on).
3. We examined the more detailed data by individual questions and whether the results varied by respondent experience levels, loan complexity, and loan type. The statistical comparisons in these analyses are reported on a question-by-question basis and are akin to those reported by the FTC in their 2007 report.⁸
4. For statistical testing, we compared points at the 95% confidence level using a two-tailed t-test. Most of the comparisons are based on subgroups of approximately 430 respondents. The Margin of Error (MOE) for these comparisons for responses around 50% at the 95% confidence level is +/- 4.7 percentage points.

The Results

Aggregate Accuracy Results

Two aggregate indices designed to capture the overall accuracy of responses were created from scores assigned to the 39 individual questions. Both indices were intended to capture the percentage of correct responses that a respondent gave to the questions. However, they differed on how responses to questions that could be skipped were treated. One index was based on scores assigned to all 39 questions, while a second index was based only on the 29 “non-skippable” questions that all respondents were required to answer.

In the results for the first index, respondents exposed to the current disclosures answered 59.3% of all 39 questions correctly. The corresponding percentage for respondents exposed to the proposed disclosures is 76.2% of all 39 questions answered correctly. The difference (16.9 percentage points) was statistically significant⁹ and persisted when we looked at it separately

⁷ Lacko, James and Janis, K. Pappalardo. June 2007. *Improving Consumer Mortgage Disclosures: An Empirical Assessment of Current and Prototype Disclosure Forms*, Federal Trade Commission, Bureau of Economics Staff Report, Table 6.1, p. 70.

⁸ *Ibid.*, Table 6.8, p.112.

⁹ Here and throughout this report, by “statistically significant,” we mean at the five percent level based on a two-tailed test.

within subgroups. Results for the second index showed a virtually identical pattern. Although the difference in performance for respondents with the proposed disclosures compared to the current disclosures was marginally smaller for the second index, it was statistically significant in favor of the proposed disclosures (14.8 percentage points).

In sum, both aggregate indices showed a statistically significant performance advantage of approximately 16 percentage points for the proposed disclosures. Furthermore, this advantage was quite similar in magnitude for experienced as well as inexperienced respondents, easier as well as more challenging loans, and fixed rate as well as adjustable rate loans (range 13.8 to 17.8 percentage point advantage).

Results Grouped by Part and Task

In Parts 2, 3, and 4 of the questionnaire, the complete set of 39 questions (as well as the subset of 29 non-skippable questions) were divided into four groups corresponding to the four distinct tasks performed by respondents during these parts of the study.¹⁰ In this section, we compare the performance of the current and proposed disclosures separately for questions focused on each of these tasks.

For Task 2, comparison of two initial disclosures, on average, respondents exposed to the current disclosures answered 57.3% of the 8 questions correctly. Respondents exposed to the proposed disclosures answered 81.4% of the questions correctly (difference = 24.1 percentage points). The comparable results for the 6 non-skippable measures were similar (63.8% for current disclosures, 83.3% for proposed disclosures, difference = 19.5 percentage points). Both differences were statistically significant.

For Task 3, comprehension of a single initial disclosure, on average, respondents exposed to the current disclosures answered 70.0% of the 16 questions correctly. Respondents exposed to the proposed disclosures answered 80.5% of the questions correctly (difference = 10.5 percentage points). The comparable results for the 14 non-skippable questions were somewhat weaker but still in favor of the proposed disclosures (74.0% for current disclosures, 80.9% for proposed disclosures, difference = 6.9 percentage points). Both differences were statistically significant.

For Task 4, comparison of one initial and one final disclosure, on average, respondents exposed to the current disclosures answered 54.9% of the 8 questions correctly. Respondents exposed to the proposed disclosures answered 69.0% of the 8 questions correctly (difference = 14.1 percentage points). The comparable results for the 4 non-skippable questions were somewhat stronger in favor of the proposed disclosures (61.6% for current disclosures, 79.0% for proposed disclosures, difference = 17.4 percentage points). Both differences were statistically significant.

For Task 5, comprehension of a final disclosure, on average, respondents exposed to the current disclosures answered 42.1% of the 7 questions correctly. Respondents exposed to the proposed disclosures answered 68.5% of the 7 questions correctly (difference = 26.4 percentage points). The comparable results for the 5 non-skippable questions were somewhat stronger in favor of the

¹⁰ The Parts and Tasks were as follows: Part 2-Task 2; Part 3-Task 3; Part 4-Task 4; and Part 4-Task 5. Task 1 is analyzed separately.

proposed disclosures (40.7% for current disclosures, 69.8% for proposed disclosures, difference = 29.1 percentage points). Both differences were statistically significant.

In sum, the data showed that the proposed disclosures outperformed the current disclosures consistently for each of the four tasks performed by respondents in the study. On average, the advantage for the proposed disclosures varied from 26.4 percentage points (for comprehension of final disclosures) to 10.5 percentage points (for comprehension of initial disclosures).

Results Grouped by Concept

In Parts 2, 3, and 4 of the study, the complete set of 39 questions (as well as the subset of 29 non-skippable questions) was divided into 8 groups corresponding to 8 distinct loan-related concepts or terms. These concept areas included amortization, annual percentage rate (APR), closing costs/settlement charges, escrow account, interest rate, loan amount, monthly payments, and mortgage insurance. A ninth area — risk factor — included questions from the other 8 concept areas.

Amortization (3 questions). On average, respondents exposed to the current disclosures answered 68.5% of these questions correctly, while respondents exposed to the proposed disclosures answered 76.1% of the questions correctly (difference = 7.6 percentage points). This difference was statistically significant.

APR (2 questions). On average, respondents exposed to the current disclosures answered 74.4% of the 2 questions correctly, while respondents exposed to the proposed disclosures answered 83.6% of the 2 questions correctly (difference = 9.2 percentage points). This difference was statistically significant.

Closing Costs/Settlement Charges (7 questions). On average, respondents exposed to the current disclosures answered 66.5% of the 7 questions correctly, while respondents exposed to the proposed disclosures answered 72.9% of the 7 questions correctly (difference = 6.4 percentage points). The comparable results for the 6 non-skippable questions were somewhat better for both disclosures (69.8% for current disclosures, 77.1% for proposed disclosures, difference = 7.3 percentage points). Both differences were statistically significant.

Escrow Account (4 questions). On average, respondents exposed to the current disclosures answered 63.4% of the 4 questions correctly, while respondents exposed to the proposed disclosures answered 71.5% of the 4 questions correctly (difference = 8.1 percentage points). The comparable results for the 3 non-skippable questions were somewhat better for both disclosures (66.6% for current disclosures, 75.4% for proposed disclosures, difference = 8.8 percentage points). Both differences were statistically significant.

Interest Rate (6 questions). On average, respondents exposed to the current disclosures answered 81.9% of the 6 questions correctly, while respondents exposed to the proposed disclosures answered 86.6% of the 6 questions correctly (difference = 4.7 percentage points). The comparable results for the 4 non-skippable questions were somewhat better for both disclosures (87.0% for current disclosures, 91.2% for proposed disclosures, difference = 4.2 percentage points).

Both differences were statistically significant.

Loan Amount (6 questions). On average, respondents exposed to the current disclosures answered 44.4% of the 6 questions correctly, while respondents exposed to the proposed disclosures answered 79.6% of the 6 questions correctly (difference = 35.2 percentage points). For the 5 non-skippable questions, the comparable results were somewhat better for both disclosures (47.4% for current disclosures, 83.0% for proposed disclosures, difference = 35.6 percentage points). Both differences were statistically significant.

Monthly Payments (9 questions). On average, respondents exposed to the current disclosures answered 46.1% of the 9 questions correctly, while respondents exposed to the proposed disclosures answered 70.9% of the 9 questions correctly (difference = 24.8 percentage points). The comparable results for the 5 non-skippable questions were similar, although the difference was smaller (49.7% for current disclosures, 71.4% for proposed disclosures, difference = 21.7 percentage points). Both differences were statistically significant.

Mortgage Insurance (2 questions). On average, respondents exposed to the current disclosures answered 32.7% of the 2 questions correctly, while respondents exposed to the proposed disclosures answered 71.1% of the 2 questions correctly (difference = 38.4 percentage points). However, this large difference was due entirely to one of the two questions that was skippable (Q26). The difference was statistically significant.

Risk Factors (8 questions). On average, respondents exposed to the current disclosures answered 64.6% of the 8 questions correctly, while respondents exposed to the proposed disclosures answered 76.0% of the 8 questions correctly (difference = 11.6 percentage points). The comparable results for the 7 non-skippable questions were somewhat better for both disclosures (68.4% for current disclosures, 76.4% for proposed disclosures, difference = 8.0 percentage points). Both differences were statistically significant.

In sum, the proposed disclosures outperformed the current disclosures consistently for each of the nine loan concept areas, including risk factors. On average, the advantage for the proposed disclosures ranged from 35.2 (for loan amount) to 4.7 percentage points difference (for interest rate).

Results across Experience, Loan Type, and Loan Complexity

While there were some variations in results across respondent experience, loan complexity, and loan type for particular questions, the data were fairly similar, especially for Tasks 2, 3, and 5. For example, when we examined the average data for the 8 questions in Task 2 (comparison of initial disclosures), the difference between accuracy levels for the proposed versus current disclosures were in a fairly narrow range of 15.1 to 33.0 percentage points. This was true when compared across respondent experience, loan complexity, and loan type levels. However, the variation was somewhat larger for Task 4 (comparison of initial and final disclosures) with a range of 4.7 to 23.4 percentage points, suggesting larger differences in accuracy of responses to these questions within subgroups. Nonetheless, all differences were statistically significant.

Results for Task 1

The open-ended question (Question 2) in Part 1, Task 1 asked respondents to provide reasons for their choice of loan in Part 1 of the study. We focused on the total number of reasons and comments provided by respondents as a function of the initial disclosure (current versus proposed) they examined. Although not the central focus of our analyses, these data can shed light on the degree to which the current and proposed disclosures differentially influenced the ability of respondents to develop and articulate reasons justifying or explaining their selection.

Out of the 858 study respondents, 852 provided at least one reason or comment while 4 respondents said “don’t know” and 2 respondents did not say anything. Respondents provided various comments and arguments, including comments about loan terms, costs, and risk factors, comments about the disclosures themselves, and comments related to personal experiences. Overall, respondents exposed to the current disclosures made an average of 2.68 comments. The corresponding average for respondents exposed to the proposed disclosures was 3.09 comments. The difference (0.41) was statistically significant. Furthermore, the difference persisted when we looked at it separately within subgroups. These results suggested that respondents exposed to the proposed disclosures could articulate and explain more reasoning behind their choice. This was the case regardless of their experience, difficulty of the loan, and whether the loan was a fixed rate or adjustable rate loan.

Conclusions

The results of the study lead to five conclusions, all in favor of the proposed disclosures:

1. The proposed disclosures performed better on aggregate measures.
2. The proposed disclosures, on average, performed better for Tasks 2-5.
3. The proposed disclosures, on average, performed better for all concept areas.
4. The proposed disclosures performed better regardless of respondent experience, loan type, or loan complexity.
5. Respondents using the proposed disclosures listed more comments while explaining their choice in Task 1.

Limitations

Two features of the Quantitative Study limit the generalizability of the results. First, the sampling was done in each of the 20 DMAs to be as representative of each DMA as possible, with the only real limitation being rural respondents.¹¹ Second, the study was a controlled experiment

¹¹ Rural populations may be under-represented in the sample due to the on-site, in-person data collection method, as these sites may have been too far for respondents to want to drive to participate at the incentive level offered.

conducted in a supervised, distraction-free environment. In addition, although respondents generally had enough time to complete the various tasks at their own pace, time limits were imposed on each part of the study to keep the total session length to approximately 60 minutes. The extent to which these results will replicate in noisy, distracting, real-world settings with no externally imposed time limits is unclear. This is an interesting conjecture worthy of assessment in future research.

Importance of Consumer Testing

The Mortgage Disclosure Project shows the advantages and benefits of two types of consumer testing: Qualitative Testing and Quantitative Testing.

Qualitative Testing

The Qualitative Study ensured that consumers could comprehend the basic facts about a loan, could compare two initial loan disclosures, and could state their reasons for making that choice. The study also allowed the CFPB to design the proposed disclosures on an iterative basis, using the qualitative testing results of one round to refine the designs of the integrated disclosures for the next round. Further, it allowed the development of the Closing Disclosure with the Loan Estimate to enable better comparison between the initial and final disclosures. In addition, the inclusion of industry representatives in the qualitative testing allowed the CFPB to ensure that industry personnel could understand the disclosures and explain them to consumers. The CFPB understands that consumers do not obtain or close loans in isolation and often discuss the disclosures with loan officers and settlement agents. As a supplement to the Qualitative Study, the public posting of the design iterations on its *Know Before You Owe* website further allowed the CFPB to anticipate concerns these stakeholders might have.

Quantitative Testing

The Quantitative Study looked at both the current and the proposed disclosures used at application and at closing. Thus, the study allowed the CFPB to compare the performance of the proposed disclosure to the current disclosure to ensure that the proposed disclosure showed significant improved performance. The CFPB wanted to ensure that it was not merely changing the disclosures, but improving and streamlining the mortgage disclosures for consumers.

The Quantitative Study confirmed that the proposed disclosures indeed performed better and we can extrapolate that the disclosures then provided benefits in ease of use and understanding for consumers. Importantly, the differences between the current and proposed disclosures were statistically significant whether considering all respondents, experienced versus inexperienced respondents, easier versus more challenging loans, or fixed versus adjustable rate loans.

The results also provided an added advantage to the CFPB by allowing it to identify areas in which the proposed disclosures did not perform well before issuing the Final Rule. For only 4 questions did the current disclosures perform better and only one of those was statistically significant—

Question 16—about the closing costs.¹² Based on these results, the CFPB examined the answers to Question 16, identified why respondents answered incorrectly, further improved the disclosure, and tested the change with consumers in an additional round of qualitative testing before issuing the Final Rule. Thus, the results of the quantitative testing helped to ensure even better performance on the disclosures before issuing the Final Rule.¹³

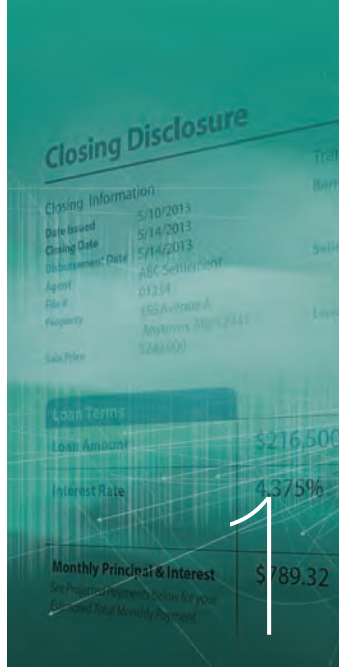
The CFPB has placed great importance on consumer testing in its design of the integrated disclosures mandated by the Dodd-Frank Act. The thoroughness of the qualitative testing ensured that the disclosures resulted in improved consumer comprehension, comparison, and more knowledgeable choices. The quantitative testing documents the benefits of the new disclosures. As the study by Lacko and Pappalardo also advocated:

The development of effective consumer disclosures requires careful analysis of what information consumers really need, how consumers will interpret and use the information, how to convey the information in a way that can be easily understood and used by consumers, and, combining all of this, careful analysis of the benefits and costs of the disclosures. Consumer testing is a critical part of this analysis.¹⁴

¹² Question 16 asked respondents with the current disclosures to identify the settlement charges and asked respondents working with the proposed disclosures to identify the closing costs, based on the language used on each disclosure. The design of the current GFE places the heading *Summary of your settlement charges* in a prominent position to emphasize it. However, the design of the proposed Loan Estimate places the phrase *Cash to Close* in a prominent position to emphasize it; the closing costs are present, but are embedded in text, not in a heading. The CFPB team expected some difference in performance, but not at the level that occurred. In fact, 51.6% of respondents with the proposed disclosures provided the cash to close amount and 46.3% provided the closing cost amount. Only 2.1% of respondents provided an answer other than these two.

¹³ Kleimann Communication Group, November 20, 2013, *Post-Proposal Consumer Testing*.

¹⁴ Lacko and Pappalardo, 2007, p. 128.



Introduction

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted, which created the Consumer Financial Protection Bureau (CFPB).¹ As part of its broad mandate, the CFPB assumed certain responsibilities for the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). The Dodd-Frank Act directed the CFPB to publish a rule that combines certain disclosures under TILA and sections 4 and 5 of RESPA into a single, integrated disclosure for mortgage loan transactions covered by those laws.²

TILA was enacted in 1968 with the purpose of assuring a meaningful disclosure of credit terms to promote the informed use of credit by consumers, mainly through clear and conspicuous disclosures of the cost of credit and other core loan terms. TILA requires a consumer to receive a disclosure of the credit terms within three days of a consumer's application for a mortgage loan (the initial TILA disclosure). Rediscovery is required three days before closing if certain terms have changed (the final TILA disclosure). The CFPB implements TILA under Regulation Z.

RESPA was enacted in 1974 to provide more effective advance disclosure to borrowers and sellers of their settlement charges. RESPA requires a consumer to receive a Good Faith Estimate of the closing costs (the Good Faith Estimate or GFE) within three days of a consumer's application for

¹ Title X of the Dodd-Frank Act, the "Consumer Financial Protection Act of 2010," Public Law 111-203.

² See Dodd-Frank Act Sections 1032(f), 1098, and 1100A.

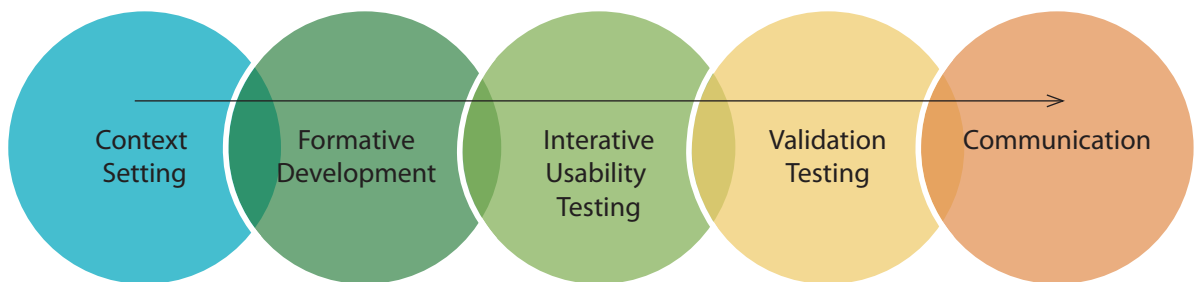
a mortgage loan. RESPA also requires a consumer to receive a uniform settlement statement (the HUD-1) at closing, listing all the costs of the loan transaction and any accompanying home transaction. The CFPB implements RESPA under Regulation X.

On July 9, 2012, as directed by the Dodd-Frank Act, the CFPB issued a Proposed Rule and proposed disclosures (the Proposed Rule).³ The Proposed Rule proposed to combine the disclosures required under TILA and sections 4 and 5 of RESPA for mortgage loan transactions covered by those laws. The CFPB proposed an integrated disclosure that would be provided after consumers apply for a mortgage loan (the Loan Estimate) and an integrated disclosure that would be provided before the loan closing (the Closing Disclosure). The Loan Estimate is intended to replace the initial TILA disclosure and the GFE provided at application. The Closing Disclosure is intended to replace the final TILA disclosure and the HUD-1.

The Mortgage Disclosure Project

In January 2011, the CFPB began the Mortgage Disclosure Project to integrate the TILA and RESPA disclosures. The CFPB used a User-Centered Design Process with two phases: a Qualitative Study and a Quantitative Study. See *Figure 1. User-Centered Design Process*.⁴ After the Proposed Rule in July 2012, the CFPB received comments on the integrated disclosures and, based on these comments, made additional consistency changes to the disclosures before the Quantitative Study.⁵

FIGURE 1. User-Centered Design Process



³ 77 FR 51116 (Aug. 23, 2012).

⁴ The Qualitative Study included the Context Setting, Formative Development, and Iterative Usability Testing stages. The Quantitative Study included the Validation Testing stage.

⁵ We used these revised disclosures in the Quantitative Study, but because the modifications were relatively minor and for ease of reference, we refer to them as the Proposed Disclosures throughout this report.

The Qualitative Testing

The Qualitative Study focused on three parts of the User-Centered Design Process: understanding the context setting for industry and consumers, formatively developing the disclosures, and iteratively testing the disclosures with consumers and industry participants.⁶ For this phase of the Mortgage Disclosure Project, the CFPB team used extensive consumer testing to develop and test the disclosures. The Loan Estimate was developed and tested with consumers in five rounds of testing; the Closing Disclosure in two rounds of consumer testing; and a final three rounds of testing ensured that consumers could use the Loan Estimate and Closing Disclosure together.

Through the 10 rounds of qualitative testing, the CFPB received extensive evidence that consumers could comprehend the proposed disclosures, compare the information on two disclosures, choose a loan and explain a rationale for their choice, and use the disclosures to compare initial and final loan terms and costs. These proposed disclosures were included in the Proposed Rule that the CFPB issued on July 9, 2012.

Public Comments on the Proposed Disclosures

Public comments on most of the Proposed Rule were accepted until November 6, 2012.⁷ The CFPB analyzed these comments for, among other things, suggested changes to the two proposed disclosures. Many of the disclosure-related comments suggested minor modifications to the disclosures to ensure greater consistency within and between the Loan Estimate and Closing Disclosure. See *Table 1. Consistency Changes Made for the Quantitative Testing Based on Public Comments* on the next page. For example, one comment about the Loan Estimate suggested adding the word *Estimated* to the term *Total Monthly Payment*, as used in the *Loan Terms* table, so it matched the “Estimated Total Monthly Payment” term used in *Projected Payments*. The CFPB incorporated these minor design changes into the proposed disclosures to improve consistency within and between the Loan Estimate and Closing Disclosure before the Quantitative Study began.

⁶ Kleimann Communication Group. July 2012. *Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures*. Available at www.consumerfinance.gov/knowbeforeyouowe.

⁷ The Proposed Rule provided for a bifurcated comment process. Comments regarding the proposed amendments to 12 CFR 1026.1(c) were required to be received on or before September 7, 2012. For all other proposed amendments and comments pursuant to the Paperwork Reduction Act, comments were required to be received on or before November 6, 2012.

TABLE 1. Consistency Changes Made for the Quantitative Testing Based on Public Comments

Loan Estimate	Closing Disclosure	Change
✓	✓	Changed <i>Assumption</i> language to make it more consistent between the two disclosures
✓	✓	Changed directional language in <i>Loan Terms</i> to refer to <i>Estimated Total Monthly Payment</i> so the reference to total payment was consistent between <i>Loan Terms</i> and <i>Projected Payments</i>
✓	✓	Changed directional language in <i>Loan Terms</i> and <i>Projected Payments</i> to sentence case in order to increase readability
	✓	On page 1, specified <i>Settlement Agent</i> in the closing information section
	✓	On page 3, removed the word <i>Borrower</i> from the <i>Borrower's Loan Amount</i> in <i>Summaries of Transactions</i> , for consistency with the use of <i>Loan Amount</i> on page 1
	✓	On page 4, on the <i>Escrow</i> table, changed row headings <i>Initial Payment</i> and <i>Monthly Payment</i> to <i>Initial Escrow Payment</i> and <i>Monthly Escrow Payment</i> for consistency with <i>Estimated Escrow</i> on page 1
	✓	On page 4, changed <i>Escrow Account</i> checkbox for "no escrow" to delete "require or" to reflect that this option is already accounted for in the "decline" checkbox

The public comment period produced three significant development suggestions for both the Loan Estimate and Closing Disclosure: (1) a Spanish translation of the Loan Estimate and the Closing Disclosure; (2) a modified Loan Estimate and Closing Disclosure for refinance transactions; and 3) a concern about Closing Costs. The CFPB evaluated versions of the integrated disclosures that addressed these comments in additional qualitative testing, as described below.⁸

Spanish Translations

In the first two rounds of testing for the Mortgage Disclosure Project, prior to issuing the Proposed Rule, the CFPB had translated the early prototypes of the Loan Estimate into Spanish and tested the translations with Spanish-speaking participants. The CFPB had intended to co-develop Spanish language versions of the integrated disclosures to ensure the design aided consumer understanding in both English and Spanish. The testing results showed that issues with

⁸ See Kleimann Communication Group. November 20, 2013. *Post-Proposal Consumer Testing of the Spanish and Refinance Integrated TILA-RESPA Disclosures*. Available at www.consumerfinance.gov/knowbeforeyouowe.

the Loan Estimate were mostly related to translation and not to differences in how the information was presented. As a result, as discussed in the Proposed Rule, the CFPB delayed testing of the translated disclosures until after the designs of both the Loan Estimate and Closing Disclosure were fully developed. After issuing the Proposed Rule, the proposed disclosures were translated and then tested with consumers in four rounds of testing in Arlington, VA; Phoenix, AZ; Miami, FL; and Baltimore, MD from October 2012 through July 2013.

Refinance Transaction

Although the Proposed Rule included specific versions of a Loan Estimate and Closing Disclosure for a refinance transaction, the CFPB received public comments suggesting that the proposed disclosures could be confusing to consumers for such transactions. Accordingly, the CFPB evaluated potential modifications to them and conducted additional testing of these modified versions of the Loan Estimate and the Closing Disclosure for refinance transactions. In addition, Spanish testing in Baltimore, MD was conducted using these modified refinance versions of the integrated disclosures to ensure the performance of the Spanish translations on the refinance-specific disclosures. This testing was completed in June and July 2013 in Bethesda, MD; Baltimore, MD; and Richmond, VA.

Closing Costs

Based on the public comments about the Closing Disclosure generally and results from the Quantitative Study, the CFPB team also tested a modification to the Loan Estimate and Closing Disclosure that would apply to all transactions. This testing occurred in Baltimore, MD and Richmond, VA.

The Quantitative Study

As part of the Mortgage Disclosure Project, the Quantitative Study focused on validating the effectiveness of the proposed disclosures and their performance compared to the current disclosures. To validate the performance of the proposed disclosures from qualitative testing, and to compare the performance of the proposed and current disclosures, the CFPB conducted a baseline comparison of the proposed disclosures with the current disclosures. The Quantitative Study began in October 2012 with the development of the experimental design, the quantitative questionnaire, and the disclosures used for testing.⁹ The Quantitative Study was fielded from May 2013 through June 2013 at 20 sites throughout the continental United States.

The key previous study, conducted by staff at the Federal Trade Commission (FTC), *Improving Consumer Mortgage Disclosures*,¹⁰ used prototype disclosure designs and compared their performance with the initial TILA disclosure and the GFE that were in use before 2010. That study, however, focused solely on the disclosures that consumers receive after applying for a mortgage. The CFPB designed its Quantitative Study to provide a similar baseline comparison against the current initial disclosures. However, in contrast to the FTC study, it also compared the disclosures

⁹ The CFPB awarded the contract to Kleimann Communication Group under CFP-12-Z-00004 with an award date of 9/28/12. The Kleimann team was led by Dr. Manoj Hastak with data collection by GfK Custom Research.

¹⁰ Lacko, James and Janis, K. Pappalardo. June 2007. *Improving Consumer Mortgage Disclosures: An Empirical Assessment of Current and Prototype Disclosure Forms*, Federal Trade Commission, Bureau of Economics Staff Report.

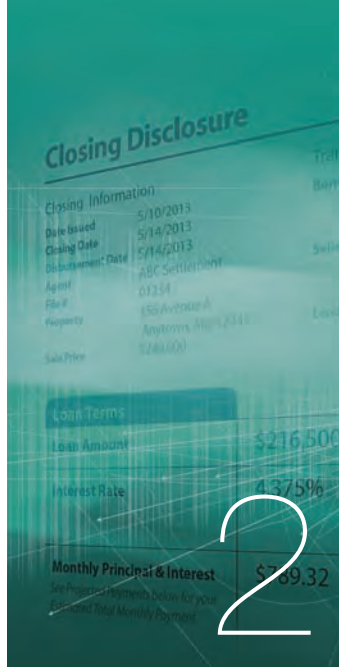
provided at closing, that is, a baseline comparison of the performance of the final TILA disclosure and the HUD-1 versus the proposed Closing Disclosure. Further, the CFPB's Quantitative Study included a baseline comparison of performance when respondents compared initial and final disclosures.

The loans used in testing included fixed rate and adjustable rate loans, which were further subdivided into easier and more challenging loans. The more challenging loans included negative amortization and interest only loan features, as well as prepayment penalties. In addition, when the respondents compared the application disclosures to the closing disclosures, the more challenging loans had more differences.

About This Report

This report has 6 chapters with appendices that include the Quantitative Study materials:

- *Chapter 2. A Comparison of the Current and Proposed Disclosures* compares the content of the initial TILA disclosure, the GFE, the final TILA disclosure, and the HUD-1 versus the content of the proposed Loan Estimate and Closing Disclosure.
- *Chapter 3. Methodology* describes the methodology of the project.
- *Chapter 4. Results* reports on the key findings of the analysis.
- *Chapter 5. Conclusions* provides the conclusions and limitations of the Quantitative Study.
- *Chapter 6. The Final Disclosures* provides a description of the final Loan Estimate and the final Closing Disclosure.
- The appendices (A-Z) provide documentation for the study, including copies of the current and proposed disclosures used in testing.



A Comparison of the Current and Proposed Disclosures

In this chapter, we have provided samples of the initial and final disclosures used in the Quantitative Study. The Quantitative Study used names of fictitious banks to enhance the ability of respondents to engage in the scenario. Both the current and the proposed initial disclosures shown are for the fictitious Aspen Bank. Both the current and proposed final disclosures shown are for a more challenging loan from the fictitious Fir Bank. *Appendices J – Q* include copies of the current disclosures used in the Quantitative Study. *Appendices R – Y* include copies of the proposed disclosures used in the Quantitative Study.

Current Initial Disclosure

Currently under TILA and Regulation Z, consumers who apply for a loan receive an **initial TILA disclosure**, which was originally issued by the Board of Governors of the Federal Reserve System (FRB).¹¹

Page 1 includes:

- Basic transaction information, such as the lender's name and borrowers' names.
- Key Truth-In-Lending information, such as *Annual Percentage Rate (APR)*, *Finance Charge*, *Amount Financed*, and *Total of Payments*.
- *Interest Rate and Payment Summary* table that discloses the *Estimated*

¹¹ While the FRB originally published the regulations and model forms for this disclosure and the final TILA disclosure, and HUD originally published the regulations and standard forms for the GFE and the HUD-1, as noted below, the CFPB generally assumed rule writing responsibilities for these disclosures and the TILA and RESPA on July 21, 2011, pursuant to the Dodd-Frank Act.

Monthly Payment.

- Listing of loan details, such as *Demand Feature*, *Variable Rate Feature*, *Required Deposit*, *Security Interest*, *Filing/Recording Fees*, *Late Charge*, and *Assumption*.
- Two statements that state that the borrower can request an itemization of the *Amount Financed* and a statement that "There is no guarantee that you will be able to refinance to lower your rate and payments."

Page 2 includes:

- Property Insurance sections that state the options regarding from whom the borrower can get insurance.
- Insurance section that states insurance is not required to get credit and has the borrower sign if he wants Credit Life, Credit Disability, or Credit Life and Disability insurance.
- Prepayment section that states if the loan has a prepayment penalty and if the borrower may get a refund on part of the finance charge.

FIGURE 2. Aspen Bank Initial TILA Disclosure (Current)

The figure shows two pages of a TILA disclosure form from Aspen Bank. The left page is the 'Truth-in-Lending Disclosure Statement' and the right page is the 'Additional Disclosures' page. Both pages contain various sections for loan details, interest rates, fees, and borrower information.

Currently, under RESPA and Regulation X, consumers also receive a three-page **GFE** under RESPA requirements, which was originally issued by the Department of Housing and Urban Development (HUD).

Page 1 includes:

- Basic transaction information, such as lender name, borrower name, address, loan number, and date.
- Purpose statement that tells consumers where to get additional information.
- Statement that tells borrowers to shop for the best loan and a reference to a table on page 3.
- Important dates, which lists the time limits on the interest rate, other settlement charges, settlement after locking the rate, and the last date for locking the rate.
- Summary of your loan, which provides basic loan details, such as loan amount, loan term, initial interest rate; includes information about if and when the interest rate, loan amount, and payments can rise; states if the loan has a prepayment penalty and balloon payment.
- *Escrow Account Information*, which identifies if the loan requires escrow.

- *Summary of your Settlement Charges*, which breaks down and then totals the *Estimated Settlement Charges*.

Page 2 includes:

- Your *Adjusted Origination Charges*, which lists *Origination Charges* and *Credits or Charges for the Specific Rate Chosen*.
- Your *Charges for All Other Settlement Services*, which lists, with short definitions, each of the 11 categories of services the borrower will or may pay for in a purchase transaction.

Page 3 provides three tables:

- A table with three groupings of charges: those that cannot change, those that can increase up to 10%, and those that have no limit on change.
- A *Tradeoff Table* that compares the loan offer, a loan with a higher interest rate and lower settlement charges, and a loan with a lower interest rate and higher settlement charges.
- A fillable *Shopping Chart* that Lenders can voluntarily complete to encourage borrowers to shop.
- A statement that the lender could sell the loan after settlement.

FIGURE 3. Aspen Bank GFE (Current)

The figure displays three screenshots of the Aspen Bank Good Faith Estimate (GFE) form. The first screenshot shows the 'Good Faith Estimate (GFE)' header and the 'Summary of your loan' section. The second screenshot shows the 'Understanding your settlement charges' section with a table of charges. The third screenshot shows the 'Instructions' section with a table of charges.

Proposed Initial Disclosure

The three-page proposed **Loan Estimate** developed by the CFPB team integrates the information from the two current initial disclosures. It also contains new disclosures required by the Dodd-Frank Act, including (1) *Total Interest Percentage (TIP)*, and (2) *Liability after Foreclosure* (for refinance loans).

Page 1 includes:

- Basic transaction information, such as lender name, applicant name, address, loan number, and date.
- Table of *Loan Terms*, including the *Loan Amount*, *Interest Rate*, and *Monthly Principal & Interest*, as well as a Yes/No statement if the terms could change and details about the changes. Also includes a Yes/No statement of the presence of a *Prepayment Penalty* and *Balloon Payment* and details if they do exist.
- Table of *Projected Payments*, which that shows the payment calculation for the *Estimated Total Monthly Payment*, as well as *Estimated Taxes, Insurance & Assessments* and whether these are escrowed into the payment.
- *Cash to Close* section that gives the *Estimated Cash to Close* and the *Estimated Closing Costs*, including a breakdown of *Loan Costs*, *Other Costs*, and *Lender Credits*. It also includes a reference to the details on page 2.

Page 2 includes:

- *Loan Costs*, which breaks down the *Origination Charges*, *Services You Cannot Shop For*, and *Services You Can Shop For*.
- *Other Costs*, which breaks down the *Taxes and Other Government Fees*, *Prepays*, *Initial Escrow Payment at Closing*, and *Other Costs*.
- *Calculating Cash to Close* table, which shows total *Closing Costs*, *Financed Costs*, *Down Payment*, *Deposit*, *Funds for Borrower*, *Seller Credits*, and *Adjustments and Other Credits*.
- *Adjustable Payment (AP) Table* and an *Adjustable Interest Rate (AIR) Table*, if the loan has either of these features.

Page 3 includes:

- *Contact Information* for the *Lender* and *Mortgage Broker* (if any).
- Table of three measures to use to compare with other loans:
 - *In 5 Years* that shows the total paid in principal, interest, mortgage insurance, and loan costs compared to principal paid off
 - *Annual Percentage Rate (APR)*
 - *Total Interest Percentage (TIP)* that shows total amount of interest as a percentage of the loan
- Table of *Other Considerations* that can include various disclosures, including *Appraisal*, *Assumption*, *Homeowner's Insurance*, *Late Payment*, *Refinance*, and *Servicing*.

FIGURE 4. Aspen Bank Loan Estimate (Proposed)

ASPEN BANK
21000 Main Street, Suite 100, Aspen, CO 81601
Phone: (970) 925-1234 | Email: info@aspensbank.com

Loan Estimate
Loan Amount: \$100,000
Interest Rate: 4.25%
APR: 4.375%
Term: 30 years
Monthly Payment: \$500.00
Total Payments: \$180,000
Total Interest: \$80,000

Closing Cost Details
Origination Fee: \$1,000
Processing Fee: \$500
Underwriting Fee: \$500
Title Insurance: \$1,500
Recording Fee: \$100
Escrow Fee: \$200
Total Closing Costs: \$4,800

Additional Information About This Loan
Assumptions:
- Property value will remain stable.
- Interest rates will remain constant.
- Borrower will maintain good credit.
- No prepayment penalties.
- Late fees apply.
- Default fees apply.

Current Final Disclosure

Currently under TILA and Regulation Z, consumers who close on a loan receive a typically two-page **final TILA disclosure** which was originally issued by the Federal Reserve Board (FRB).

The final TILA disclosure covers the same information that is in the initial TILA disclosure but contains final information. In addition, the content can change if the loan is an adjustable rate mortgage loan or has interest only or negative amortization features. The final TILA disclosure includes the following:

Page 1 includes:

- Basic transaction information, such as the lender's name and borrowers' names.
- Key Truth-In-Lending information, such as *Annual Percentage Rate (APR)*, *Finance Charge*, *Amount Financed*, and *Total of Payments*.
- *Interest Rate and Payment Summary* table that discloses the *Estimated Monthly Payment*.
- Listing of loan details, such as *Demand Feature*, *Variable Rate Feature*, *Required Deposit*, *Security Interest*, *Filing/Recording Fees*, *Late Charge*, and *Assumption*.
- Two statements that state that the consumer can request an itemization of the *Amount Financed* and a statement that *There is no guarantee that you will be able to refinance to lower your rate and payments*.

Page 2 includes:

- *Property Insurance* sections that state the vendors from whom the borrower can get insurance.
- Insurance section that states insurance is not required to get credit and has the borrower sign if he wants Credit Life, Credit Disability, or Credit Life and Disability insurance.
- Prepayment section that states if the loan may have a prepayment penalty and if the borrower may get a refund on part of the finance charge.

FIGURE 5. Fir Bank Final TILA Disclosure (Current)

Truth-in-Lending Disclosure Statement

Loan No. 123456789 Date 10/15/2019
 Borrower: John A. and Mary B. Property Address: 1234 Main Street, Anytown, CA 90210 Loan Origination: 10/15/2019

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
5.495%	\$1,124.49	\$12,000.00	\$13,124.49

You have the right to cancel at any time as provided in the Annual Disclosure Statement.
 (1) Annual Disclosure Statement (2) See back page for details.

REPAYMENT SCHEDULE SUMMARY

REPAYMENT SCHEDULE	REPAYMENT PERIOD	REPAYMENT PERIOD	REPAYMENT PERIOD
12 months	12 months	12 months	12 months
12 months	12 months	12 months	12 months
12 months	12 months	12 months	12 months

You have a scheduled introductory rate of 5.495% that ends after the first three years. In the fourth year, your rate will reset based on the prime rate plus 1.00%.

NOTE: THIS DISCLOSURE DOES NOT PROVIDE ALL INFORMATION YOU NEED TO MAKE A DECISION ABOUT THIS LOAN. YOU SHOULD READ THIS DISCLOSURE CAREFULLY, AS WELL AS THE OTHER DISCLOSURES THAT YOU RECEIVE, AND YOU SHOULD CONSULT WITH A PROFESSIONAL ADVISOR BEFORE MAKING A DECISION ABOUT THIS LOAN.

1. Loan Information: This section provides information about the loan, including the loan type, loan amount, and loan terms.

2. Settlement Charges: This section provides information about the charges you will pay at settlement, including the origination fee, discount points, and other charges.

3. Comparison of Good Faith Estimate (GFE) and HUD-1 Charges: This section compares the charges you were given in the GFE with the charges you are now being given in the HUD-1.

4. Charges That in Total Cannot Increase More Than 10%: This section lists the charges that cannot increase more than 10% of the charges you were given in the GFE.

5. Charges That Can Change: This section lists the charges that can change with no tolerances.

6. Loan Terms: This section lists the basic loan terms, including the interest rate, loan term, and payment schedule.

Page 1 of 2

Currently under RESPA and Regulation X, consumers also receive a three-page HUD-1, the uniform settlement statement, which was issued by HUD.

Page 1 includes:

- *Type of Loan* includes information on the *File Number*, *Loan Number*, *Mortgage Insurance Case Number*, a statement about how the disclosure provides the actual *Settlement Charges*, *Name and Address of Borrower*, *Seller*, *Lender*, *Property Location*, *Settlement Agent*, *Settlement Date*, and *Place of Settlement*.
- *Summary of Borrower's Transaction* includes details about *Sales Price*, *Seller Credits*, *Adjustments*, and so on.
- *Summary of Seller's Transaction* includes parallel information to the *Summary of Borrower's Transaction*.

Page 2 includes:

- *Settlement Charges* with an itemized list of charges with a *Total Settlement Charges* line at the bottom of the page.

Page 3 includes:

- *Comparison of Good Faith Estimate (GFE) and HUD-1 Charges* lists basic fees for both disclosures that cannot change.
- *Charges That in Total Cannot Increase More Than 10%* lists GFE and HUD-1 fees and indicates a percentage of difference and potential violations.
- *Charges That Can Change* lists the items that can change with no tolerances.
- *Loan Terms* lists basic loan terms similar to page 1 of the GFE.

FIGURE 6. Fir Bank HUD-1 (Current)

The figure displays three pages of the Fir Bank HUD-1 (Current) form. Page 1 is the Settlement Statement (HUD-1) header and includes sections for Loan Information, Borrower Information, and a table of closing costs. Page 2 is a detailed table of closing costs, categorized by Loan Costs, Other Costs, and Lender Credits. Page 3 shows the Cash to Close section, a table of cash to close, and a summary of transactions.

Proposed Final Disclosure

The five-page proposed **Closing Disclosure** integrates the information from the current final disclosures. It also contains additional new disclosures required by the Dodd-Frank Act, including (1) *Total Interest Percentage (TIP)*, (2) *Negative Amortization*, (3) *Partial Payment*, (4) *Escrow Account*, and (5) *Liability after Foreclosure*.

Page 1 includes:

- The same information in the same format featured on page 1 of the proposed Loan Estimate.
- Basic information including key closing, transaction, and loan information.
- *Loan Terms* including the *Loan Amount*, *Interest Rate*, *Monthly Principal & Interest*, *Prepayment Penalty*, and *Balloon Payment* information.
- *Projected Payments*, which includes a table with the payment calculation for the total number of years of the loan. The table itemizes lines by *Principal & Interest*, *Mortgage Insurance*, *Estimated Escrow*, *Estimated Total Monthly Payment*, and *Estimated Taxes, Insurance & Assessments*.
- *Cash to Close* section, which gives the *Cash to Close* amount and the *Closing Costs*, including a breakdown of *Loan Costs*, *Other Costs*, and *Lender Credits*. It also includes a reference to the details on page 2.

Page 2 includes:

- Page 2 breaks down the closing cost details into two main sections, *Loan Costs* and *Other Costs*, with an organization that matches the proposed Loan Estimate.

Page 3 includes:

- The *Calculating Cash to Close* table, which compares what has changed between the Loan Estimate and the Closing Disclosure.
- *Summaries of Transactions* in two separate detailed sections for *Borrower's Transactions* and *Seller's Transactions*.

Page 4 includes:

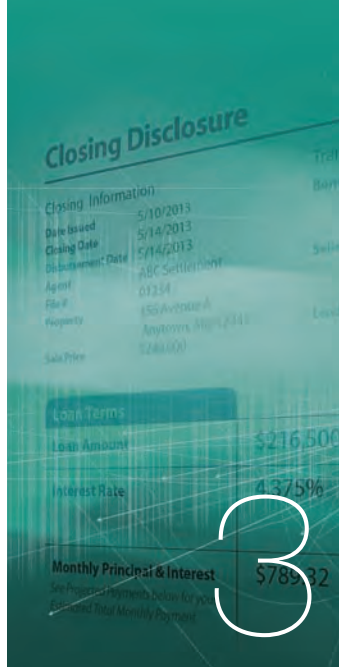
- *Additional Information About This Loan* which provides more details about the loan:
- *Loan Disclosures*, which includes information on *Assumption*, *Demand Feature*, *Late Payment*, *Negative Amortization*, *Partial Payment*, *Security Interest*, and *Escrow Account*.
- On adjustable rate mortgages or loans with certain other features, there are two additional tables that provide the borrower with detailed information: *Adjustable Payment (AP) Table* and *Adjustable Interest Rate (AIR) Table*.

Page 5 includes:

- *Loan Calculations*, *Other Disclosures*, *Contact Information*, and a line to *Confirm Receipt*. In addition, it provides a *Questions* box indicating where the borrower can get more information and make a complaint.
- *Loan Calculations* section, which includes information on *Total of Payments*, *Finance Charge*, *Amount Financed*, *Annual Percentage Rate (APR)*, *Total Interest Percentage (TIP)*, and *Approximate Cost of Funds*.
- *Other Disclosures* section, which includes information on *Appraisal*, *Contract Details*, *Liability after Foreclosure*, *Refinance*, and *Tax Deductions*.
- *Contact Information* section, which includes *Contact Information* for the *Lender*, *Mortgage Broker*, *Real Estate Broker* for both borrower and seller, and the settlement agent.
- *Confirm Receipt* section, which allows the borrower to confirm receipt of this disclosure.

FIGURE 7. Fir Bank Closing Disclosure (Proposed)

The figure displays five pages of a proposed closing disclosure form for Fir Bank. The pages are arranged in a grid-like fashion, showing the layout of the document. The first page is the 'Closing Disclosure' page, which includes sections for 'Loan Information', 'Loan Terms', 'Closing Costs', and 'Loan Calculations'. The second page is the 'Closing Cost Details' page, which provides a breakdown of the various costs associated with the loan. The third page is the 'Additional Information About This Loan' page, which contains important information about the loan's features and terms. The fourth and fifth pages show additional sections of the form, including 'Other Disclosures' and 'Contact Information'.



Methodology

The Quantitative Study used a controlled experiment to examine the extent to which respondents could understand and use the current mortgage disclosures versus the CFPB's proposed mortgage disclosures. The study included both current and proposed initial disclosures—initial TILA disclosure and GFE versus the Loan Estimate. It also included both the current and proposed final disclosures—final TILA disclosure and HUD-1 versus the Closing Disclosure. The Quantitative Study involved a 2 x 2 x 2 x 2 between-subjects factorial design.¹² The factors were:

1. Disclosure Type: current versus proposed (initial and final disclosures)
2. Loan Type: fixed rate versus adjustable rate
3. Difficulty: easier versus more challenging loans
4. Consumer: inexperienced versus experienced

During May and June 2013, the study used in-person, proctored, small group sessions with 858 consumers divided into two groups—experienced respondents (424) and inexperienced respondents (434)—in 20 locations across the Census Bureau regions and sub-regions in the continental United States. The CFPB team chose the 20 locations to include geographic diversity to reach populations in both large and small Designated Market Areas (DMAs) and to be able to reach into rural markets. Respondents answered questions only about either current or proposed disclosures and used both the initial

¹² Note that this corresponds to 16 distinct groups.

and final disclosures. For each set of disclosures, respondents received either fixed rate or adjustable rate loan sets. Within both sets, the loans included various loan features from easier to more challenging fixed rate or adjustable rate loans. The more challenging features included complicated loan features, such as negative amortization, interest only, and other such features. In addition, the loan features changed from the initial disclosures to the final disclosures. Some of these changes were fairly simple and obvious, while others involved more challenging and subtle changes. Each test group at each site was mixed by the factors, that is, by the disclosure type, the loan types and characteristics, the difficulty of the loans, and consumer experience.

The Current and Proposed Disclosures

For the Quantitative Study, about half of the respondents (428) used the current initial disclosures (initial TILA disclosure and GFE) and the current final disclosures (final TILA disclosure and the HUD-1).¹³ The remaining respondents (430) used the proposed initial disclosure (the Loan Estimate) and proposed final disclosure (the Closing Disclosure). All respondents received full-size disclosures, including the HUD-1 on legal-sized paper. For this chapter, we refer to the current and proposed disclosures in the following way:

- Current Initial Disclosure includes the initial TILA disclosure and the GFE,
- Current Final Disclosure includes the final TILA disclosure and the HUD-1,
- Proposed Initial Disclosure is the Loan Estimate, and
- Proposed Final Disclosure is the Closing Disclosure.

Primarily because of amendments to the statutory requirements made by the Dodd-Frank Act, the proposed disclosures include more information than the current disclosures. In addition, to reduce the paperwork burden for both industry and consumers, the CFPB incorporated disclosures under other statutory provisions that are currently provided as separate pages. For example, the proposed Loan Estimate includes an Appraisal notice required by the Equal Credit Opportunity Act and a Servicing disclosure required under section 6 of RESPA.

We did not alter the current disclosures used in this study to reflect the information required by the Dodd-Frank Act or the other disclosures integrated into the proposed disclosures. There are no current regulations that implement the new Dodd-Frank Act statutory disclosures, and thus, there is no “baseline” for them. In addition, lenders currently present the disclosures required under other current statutory provisions separately from the mortgage disclosures and in varied formats. As a consequence, there is no “baseline” for mortgage disclosures that include these other statutory requirements. Accordingly, the current disclosures used in this study included only the initial current TILA disclosures and final current TILA disclosures, the GFE and the HUD-1 disclosures, required by TILA and sections 4 and 5 of RESPA.¹⁴

¹³ The CFPB determined that for the TILA disclosures used in the study it would adhere to the regulatory text of 12 CFR 1026.18 for some elements of the disclosures, rather than the model disclosures in Appendix H of Regulation Z, which may differ in some ways from the regulatory text. Accordingly, for some of the loan products in the study, there may be differences between the TILA disclosures and the model disclosures in Appendix H of Regulation Z.

¹⁴ As implemented by current 12 CFR parts 1024 and 1026.

The CFPB intended from the start to set up this study as a comparison of the current and proposed disclosures. As noted by Lacko and Pappalardo in their key study:

Including both current and prototype disclosures in these tests greatly increases our ability to understand and evaluate the test results. Each version of the disclosure acts as a benchmark and control for testing the other. If we tested only current disclosures, we would not know, regardless of the results, whether we could continue to improve consumer understanding of the information. A seemingly poor performance by the current disclosures may be the best performance possible given the limits of consumer comprehension and a seemingly good performance might still be significantly improved. These questions can only be answered through testing possible alternatives. Similarly, if we tested only the proposed disclosures, we would not know whether it provided any improvement over the current disclosures. A seemingly mediocre performance by the proposed disclosures may still represent a substantial improvement over the current disclosures, and an excellent performance may not differ significantly from the performance of the current disclosures. The study design used here which tests both current and proposed disclosures, provides for direct comparison of the two alternatives and as informed assessment of the performance of both.¹⁵

Test Procedures

In every city, each small group of respondents met at a scheduled time at a market research field service center.¹⁶ Each session lasted approximately 60 minutes. Groups were mixed by the factors of the study: disclosure type, loan type and characteristics, difficulty of the loans, and consumer experience. The number of small groups varied across sites. See *Appendix A. Final Questionnaire Name Set Distribution*.

When respondents arrived, each completed a Respondent Questionnaire to confirm his or her information from the initial screening survey. Each respondent also received a Privacy Statement and Consent Form to sign and a Privacy Act Statement the respondents could keep. Both the Consent Form and Privacy Act Statement described how we would maintain the privacy of the respondent's personal identity.

A trained researcher who acted as a proctor led each 60-minute test session. Before testing, each proctor went through a two-hour briefing and practice session to ensure compliance with all instructions. In addition, the data collection leader viewed each proctor's first test session to make sure the process was followed completely. The proctor read the Proctor Instructions to the respondents and was available to answer procedural, but not content, questions. See *Appendix B. Proctor Script*. At the end of the session, the proctor collected all disclosures and completed questionnaires and directed respondents to the reception area to pick up their incentive payment.

Each respondent worked individually to complete the structured questionnaire for either a set of current or proposed disclosures. The disclosure type and loan type were randomized so each

¹⁵ Lacko and Pappalardo, 2007, pp. 42-43.

¹⁶ These market facilities are regular partners with GfK Custom Research.

respondent in a particular test session had a different set of loans than the other respondents. In addition, in preparing the packages, the initial loans that respondents saw were also randomized. No respondent could “copy” from another respondent, and the proctor stated that each set of materials used by each respondent in the session was different. Administering the structured questionnaires in small groups with no individual respondent having the same set of disclosures reduced any possible bias because of the proctor—intentional or unintentional—as could occur in a one-on-one interview.

The Session Structure

The 60-minute session used 5 minutes at the beginning for an introduction and 5 minutes at the end for the logistics of collecting materials. Respondents used the remaining 50 minutes to complete the five parts of the questionnaire:

- In Part 1 (10 minutes), respondents reviewed two initial disclosures, selected which one they would choose, and provided a rationale for why they chose it.
- In Part 2 (10 minutes), respondents compared the terms of the same two initial disclosures.
- In Part 3 (15 minutes), respondents answered questions about one of the two initial disclosures.
- In Part 4 (10 minutes), respondents compared one of the initial disclosures with a matching final disclosure. They also answered questions about only the final disclosure.
- In Part 5 (5 minutes), respondents rated the initial disclosures and the final disclosures on three scales for ease of reading, ease of comparison, and ease of finding information.

For each part, the respondents received a different colored envelope that contained the relevant part of the questionnaire and the related disclosures. Each color corresponded to its own part of the questionnaire. At the end of each timed part, respondents replaced the questionnaire and disclosures they had worked with into the original envelope and set it aside. They then removed another envelope which contained the next part of the questionnaire and the related disclosures. No respondent saw the entire set of disclosures or the entire questionnaire at the beginning of the session or at any other time.

The Questionnaire

During the development of the questionnaire, the CFPB team identified nine key topic areas that researchers and consumer advocates agreed were critical for informed consumers and were addressed by both the current and proposed disclosures. The CFPB team also decided that only questions that could be answered by information on both the current and proposed disclosures would be included. For example, although the proposed initial disclosure prominently displays the “Cash to Close” amount, we did not include a question about that topic during Part 2 and Part 3 (which included only the initial disclosures), since the current initial disclosures do not include that information. See *Appendix C. Questionnaire*.

The nine key topics included amortization, annual percentage rate (APR), closing costs/settlement charges, escrow account, interest rate, loan amount, monthly payments, mortgage insurance, and risk factors. Risk Factors included questions from the other 8 concept areas. For this latter topic, we had no separate questions, but incorporated questions that asked about changes over time that occurred after closing to the interest rate, principal and interest payments, and the loan amount. Risk factors also included whether the loan had an escrow payment, interest only payments, a prepayment penalty, or negative amortization. See *Table 2. Key Topics, Questionnaire Parts, Tasks, and Related Questions* for more detail.

In general, respondents were either comparing two disclosures or looking at an individual disclosure. Thus, questions varied in their phrasing. Some questions were fill-ins in which the respondent needed to write-in a specific number. Some questions were multiple-choice. Some questions were phrased using the exact terms on the disclosures, such as annual percentage rate (APR). Some questions paraphrased the language, such as Question 22 about prepayment penalties. A few questions were open-ended in which respondents could fill in any response. Because respondents used both initial and final disclosures, the topic sometimes was addressed by juxtaposed questions, but generally the questions were scattered across Parts 2, 3, and 4 of the questionnaire.

Questionnaires for the current and proposed disclosures were identical with two exceptions:

1. Each questionnaire referred to the loan disclosures that the respondent was using by a fictitious bank name. For example, Questions 1-10 used a specific fictitious bank name even in the multiple-choice questions.
2. For the current initial and final disclosures, we used the term “settlement” as applicable, to reflect the language on the current GFE. For the proposed initial and final disclosures, we used the term “closing” as applicable, to reflect the language of the Loan Estimate.

Within the questionnaires, three sections included questions that were different from the core questions in Parts 2, 3, and 4.

- In Part 1, the initial two questions attempted to collect a broader perspective about performance. The respondents were given two initial disclosures, asked to examine them, and then selected which of the two they preferred. As described in the section about the loans below, neither loan was a “better” loan, so our analysis made no judgment about which loan was selected. However, respondents were then asked, “Why did you make that selection? Please explain your thinking in as much detail as possible in the space below.” Our goal was two-fold. First, we wanted to identify the characteristics respondents would select without any of the indirect prompting that occurs when any question is asked. An asked question inevitably marks an area of interest to the researchers. To a limited extent, respondents’ answers could give us insight into the tradeoffs made when selecting a loan. Second, we wanted to identify the number of reasons a respondent would list. Fully aware that the respondent would control the number of reasons listed because of time or interest, we believed that the number would give us a proxy measure of how easily respondents could identify key terms and synthesize them into their conscious decision-making.
- In Part 4, Question 42, we asked respondents if they had any other comments about the disclosures.
- In Part 5, the final 6 questions asked respondents to rate the initial disclosure and the final disclosure on ease of comprehending, comparing, and finding information.

TABLE 2. Key Topics, Questionnaire Parts, Tasks, and Related Questions

Key Topic	Part 2. Task 2: Comparison of 2 Initial Disclosures	Part 3. Task 3: Comprehension of 1 Initial Disclosure	Part 4. Task 4: Comparison of Initial and Final Disclosures	Part 4. Task 5: Comprehension of Final Disclosure
Amortization		20 When is your final payment? 22 Do you have a penalty if you want to refinance? 24 How much principal will you pay in 5 years?		
Annual Percentage Rate (APR)	7 How does APR compare?	23 What is the APR?		
Closing Costs/ Settlement Charges		16 What are your estimated closing costs/settlement charges? 19 Which costs can you shop for?	32 How do closing costs/settlement charges compare? 33 List one item that has a different amount.	36 What is the amount of cash you need at closing/settlement?
Escrow Account	6 How does escrow account compare?	21 Does the lender collect payments for escrow?	34 How does escrow account compare? 35 List one escrow item that is different.	
Interest Rate	4 How does interest rate in year 1 compare?	12 What is interest rate in year 1? 13 Can interest rate in year 1 change? 14 When can interest rate change?	30 How does interest rate compare on the initial and closing/settlement disclosure? 31 Why are interest rates different?	
Loan Amount	3 How does amount borrowing compare?	11 What is loan amount?	27 What is the loan amount on the final disclosure? 28 How does the loan amount compare on the initial and closing disclosures? 29 Why did loan amount change?	37 Will your loan amount increase after closing?

TABLE 2. *continued*

Key Topic	Part 2. Task 2: Comparison of 2 Initial Disclosures	Part 3. Task 3: Comprehension of 1 Initial Disclosure	Part 4. Task 4: Comparison of Initial and Final Disclosures	Part 4. Task 5: Comprehension of Final Disclosure
Monthly Payments	<p>8 How does the change in estimated total monthly payment compare?</p> <p>9 Which loan changes the total monthly payment first?</p> <p>10 Which loan has the highest estimated total monthly payment</p>	<p>15 Can principal and interest change?</p> <p>18 How much is first total monthly payment?</p>		<p>38 What is the highest possible monthly principal and interest payment?</p> <p>39 Does the monthly principal & interest change after closing?</p> <p>40 When does principal & interest first change?</p> <p>41 How often can principal & interest change?</p>
Mortgage Insurance		<p>25 Does this loan have mortgage insurance?</p> <p>26 What is the first monthly payment for it?</p>		
Risks		<p>10 Which loan has the highest estimated total monthly payment?</p> <p>13 Can interest rate in year 1 change?</p> <p>15 Can principal and interest change?</p> <p>21 Does the lender collect payments for escrow?</p> <p>22 Do you have a penalty if you want to refinance?</p> <p>24 How much principal will you pay in 5 years?</p>		<p>37 Will your loan amount increase after closing/settlement?</p> <p>39 Does the monthly principal & interest change after closing/settlement?</p>

About the Loans

To create the loan products for testing, we set up two parallel sets of current and proposed disclosures. See *Table 3. Loan Types* for more detail. Within those two sets, loans were either fixed or adjustable rate loans. Within the fixed rate and adjustable rate loans, we created sets of easier and more challenging loans—and within the easier and more challenging classification, we created two versions of the loans, A and B. Each A and B version of the loans included both initial and final disclosures.¹⁷ See *Appendices J-Q* for the current disclosures used in testing. See *Appendices R-Y* for the proposed disclosures used in testing.

TABLE 3. Loan Types

Current Disclosure Loans								Proposed Disclosure Loans							
Fixed				Adjustable				Fixed				Adjustable			
Easier		More Challenging		Easier		More Challenging		Easier		More Challenging		Easier		More Challenging	
A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B

Loan Characteristics

In this between-subjects design, respondents used either the current or the proposed disclosures, not both. Respondents were assigned to either fixed rate loans or to adjustable rate loans. Once assigned, they did not receive the other type of loan. Each loan used by a respondent had the name of a fictitious bank. To some extent, we named the banks to increase the comfort of respondents as they dealt with the abstractness of numbers and the multiple factors they needed to consider as they examined the loans. To reduce the possibility of bias against the names of the lenders, each cell of the loan type was given two specific names. For example, the Current Disclosure, Fixed, Easier, A loan was named Aspen Bank or Maple Bank. The corresponding Proposed Disclosure, Fixed, Easier, A loan also used Aspen Bank or Maple Bank. As a result, for both the current and proposed disclosures, half of the respondents who received Fixed, Easier A loans received disclosures from Aspen Bank and half received disclosures from Maple Bank.

Within a type, the loans reflected easier or more challenging loan characteristics to test the effectiveness of the disclosures for different loan types and features. Easier loans were relatively straightforward in their loan terms and closing details. More challenging loans offered more complex loan terms and closing details. Even though more prevalent in years before the recent financial crisis, loan features, such as interest only payments, prepayment penalties, negative amortization, and optional payments are still possible, and some are currently available to consumers. These features present unique risks to consumers in the form of potentially increased

17 This 2 x 2 x 2 x 2 design created 16 sets of mortgage disclosures, each set containing both initial and final disclosures.

payments, principal balances, and costs of refinancing. In addition, new product features may be developed that also contain such risks. The existence of such a risk in a loan is an important aspect of the loan for a consumer to consider in evaluating the loan. Accordingly, the more challenging loans included several loans with such features to evaluate the performance of the proposed disclosures in particular for such risks. See *Table 4. Key Differences Across Initial and Final Disclosure Sets*.

For the initial disclosures, neither Version A nor Version B was clearly a less expensive or “better” loan. We wanted the loans to reflect more real-life scenarios where consumers must evaluate loans based on multiple factors or loans that have differences for which the advantages and disadvantages are not easily discernible. So, each loan included many elements that required the respondents to make trade-offs as they decided between loans in Part 1, Task 1 of the study. Similarly, in the final disclosures, neither Version A nor Version B was clearly a “better” loan than the loan presented in the initial disclosure. However, each final disclosure included multiple changes from the initial disclosure.

- For the easier fixed rate and easier adjustable rate loans, the changes included simple changes in interest rate, closing costs, or cash to close.
- For the more challenging fixed rate and more challenging adjustable rate loans, the changes included more complicated changes in loan product, loan amount, financed closing costs, interest rate, closing costs, or cash to close.

TABLE 4. Key Differences Across Initial and Final Disclosure Sets

Name of Bank (Current)	Name of Bank (Proposed)	Type of Loan	Loan Estimate		Closing Disclosure	
Maple Bank	Aspen Bank	Easier Fixed A	Term	30 year	Term	30 year
Aspen Bank	Maple Bank		Product	Fixed Rate	Product	Fixed Rate
			Loan Amount	\$162,000	Loan Amount	\$162,000
			Interest Rate	3.875%	Interest Rate	3.875%
			Closing Costs/ Settlement Charges	\$8,054	Closing Costs/ Settlement Charges	\$9,712.10
			Cash to Close	\$16,504	Cash to Close	\$14,147.26
			Sale Price	\$180,000	Sale Price	\$180,000
Nandina Bank	Balsam Bank	Easier Fixed B	Term	30 year	Term	30 year
Balsam Bank	Nandina Bank		Product	Fixed Rate	Product	Fixed Rate
			Loan Amount	\$162,000	Loan Amount	\$162,000
			Interest Rate	4.25%	Interest Rate	4.50%
			Closing Costs/ Settlement Charges	\$4,736	Closing Costs/ Settlement Charges	\$8,722.39
			Cash to Close	\$12,736	Cash to Close	\$14,574.35
			Sale Price	\$180,000	Sale Price	\$180,000
Oak Bank	Cottonwood Bank	More Challenging Fixed A	Term	30 year	Term	30 year
Cottonwood Bank	Oak Bank		Product	Fixed Rate	Product	10 year Interest Only Fixed Rate
			Loan Amount	\$315,000	Loan Amount	\$315,000
			Interest Rate	4.25%	Interest Rate	4.25%
			Closing Costs/ Settlement Charges	\$14,056	Closing Costs/ Settlement Charges	\$16,606.53
			Cash to Close	\$39,056	Cash to Close	\$39,896.55
			Sale Price	\$350,000	Sale Price	\$350,000
			Prepayment Penalty	Yes 2%/2 years	Prepayment Penalty	No

TABLE 4. *continued*

Name of Bank (Current)	Name of Bank (Proposed)	Type of Loan	Loan Estimate		Closing Disclosure	
Pine Bank	Dogwood Bank	More Challenging Fixed B	Term	30 year	Term	30 year
Dogwood Bank	Pine Bank		Product	5 year Interest Only Fixed Rate	Product	5 year Interest Only Fixed Rate
			Loan Amount	\$315,000	Loan Amount	\$317,000
			Interest Rate	4.875%	Interest Rate	4.875%
			Closing Costs/ Settlement Charges	\$11,199	Closing Costs/ Settlement Charges	\$16,671.51
			Cash to Close	\$36,199	Cash to Close	\$37,993.53
			Sale Price	\$350,000	Sale Price	\$350,000
			Other	None	Other	Financed \$2,000 Closing Costs
Quince Bank	Elm Bank	Easier ARM A	Term	30 year	Term	30 year
Elm Bank	Quince Bank		Product	7/1 Adjustable Rate	Product	7/1 Adjustable Rate
			Loan Amount	\$121,000	Loan Amount	\$121,000
			Interest Rate	3.75%	Interest Rate	3.75%
			Index + Margin	LIBOR (Assumption = .75%) + 4%	Index + Margin	LIBOR (Assumption = .75%) + 4%
			Lifetime Min	4.25%	Lifetime Min	4.25%
			Lifetime Max	9%	Lifetime Max	9%
			First Change Limit	3%	First Change Limit	3%
			Subsequent Change Limit	2%	Subsequent Change Limit	2%
			Closing Costs/ Settlement Charges	\$4,803	Closing Costs/ Settlement Charges	\$7,264.75
			Cash to Close	\$13,803	Cash to Close	\$15,101.55
			Sale Price	\$135,000	Sale Price	\$135,000

TABLE 4. *continued*

Name of Bank (Current)	Name of Bank (Proposed)	Type of Loan	Loan Estimate		Closing Disclosure	
Redbud Bank	Fir Bank	Easier ARM B	Term	30 year	Term	30 year
Fir Bank	Redbud Bank		Product	3/3 Adjustable Rate	Product	3/3 Adjustable Rate
			Loan Amount	\$121,000	Loan Amount	\$121,000
			Interest Rate	3.375%	Interest Rate	3.375%
			Index + Margin	COFI (Assumption = 1.33%) + 4%	Index + Margin	COFI (Assumption = 1.5%) + 4%
			Lifetime Min	5%	Lifetime Min	5%
			Lifetime Max	9%	Lifetime Max	9%
			First Change Limit	2%	First Change Limit	2%
			Subsequent Change Cap	2%	Subsequent Change Cap	2%
			Closing Costs/ Settlement Charges	\$5,668	Closing Costs/ Settlement Charges	\$7,702.63
			Cash to Close	\$14,668	Cash to Close	\$15,472.43
			Sale Price	\$135,000	Sale Price	\$135,000

TABLE 4. *continued*

Name of Bank (Current)	Name of Bank (Proposed)	Type of Loan	Loan Estimate		Closing Disclosure	
Spruce Bank	Ginkgo Bank	More Challenging ARM A	Term	30 year	Term	30 year
Ginkgo Bank	Spruce Bank		Product	5 Year Interest Only, 5/3 Adjustable Rate	Product	5 year Negative Amortization, 5/3 Adjustable Rate
			Loan Amount	\$211,000	Loan Amount	\$211,000
			Interest Rate	4%	Interest Rate	4%
			Index + Margin	MTA (Assumption = .16%) + 4%	Index + Margin	MTA (Assumption = .25%) + 4%
			Lifetime Min	3.25%	Lifetime Min	3.25%
			Lifetime Max	12%	Lifetime Max	12%
			First Change Limit	2%	First Change Limit	2%
			Subsequent Change Limit	2%	Subsequent Change Cap	2%
			Closing Costs/ Settlement Charges	\$8,791	Closing Costs/ Settlement Charges	\$13,519.43
			Cash to Close	\$27,791	Cash to Close	\$30,589.43
			Sale Price	\$240,000	Sale Price	\$240,000

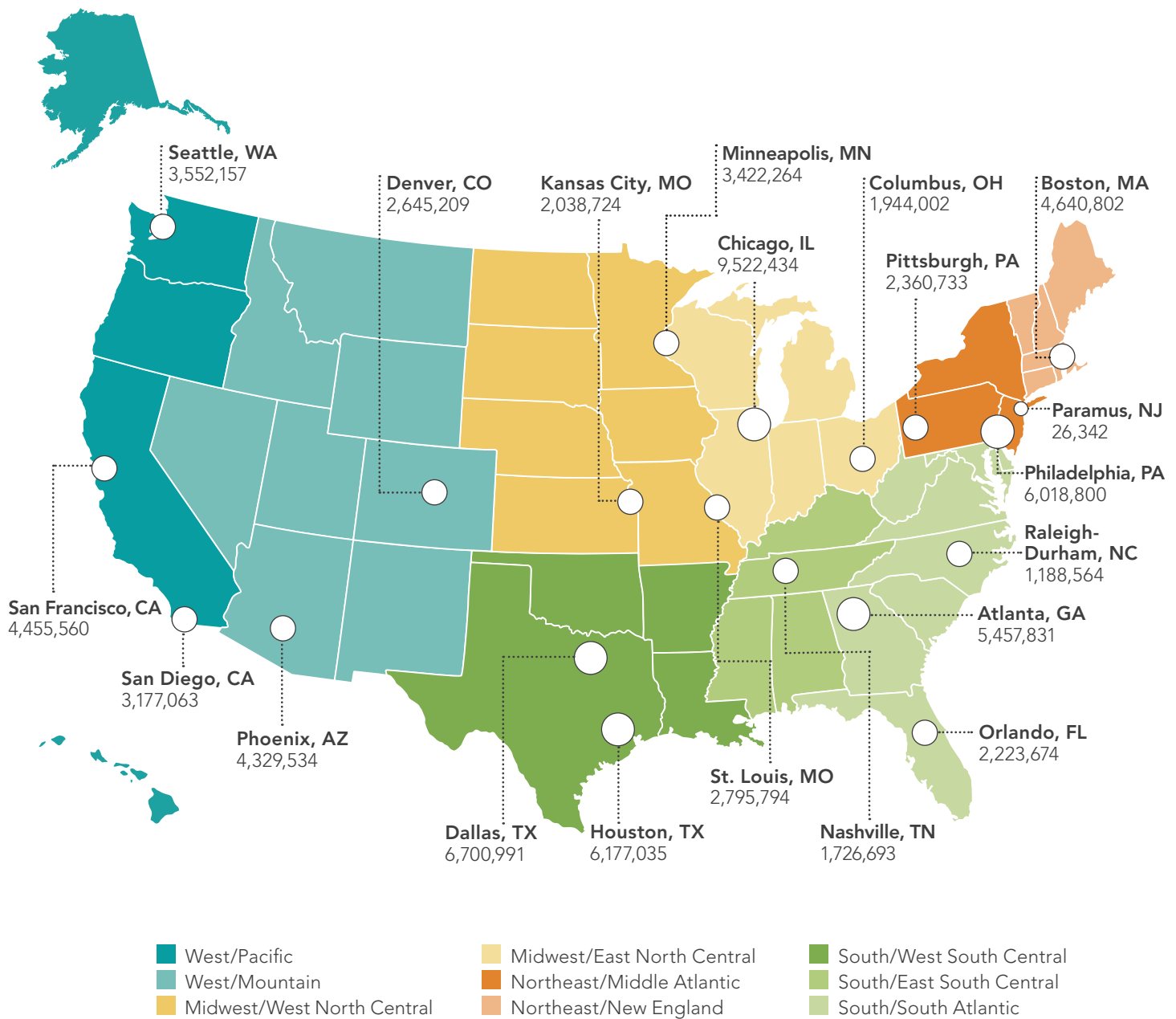
TABLE 4. *continued*

Name of Bank (Current)	Name of Bank (Proposed)	Type of Loan	Loan Estimate		Closing Disclosure	
Tulip Bank	Hornbeam Bank	More Challenging ARM B	Term	30 year	Term	30 year
Hornbeam Bank	Tulip Bank		Product	7 year Interest Only 7/1 Adjustable Rate	Product	5 year Negative Amortization, 7/1 Adjustable Rate,
			Loan Amount	\$211,000	Loan Amount	\$214,000
			Interest Rate	4.25%	Interest Rate	4.125%
			Index + Margin	LIBOR (Assumption = .86%) + 4%	Index + Margin	LIBOR (Assumption = 1.00%) + 4%
			Lifetime Min	4.5%	Lifetime Min	4.5%
			Lifetime Max	8%	Lifetime Max	8%
			First Change Limit	1%	First Change Limit	1%
			Subsequent Change Limit	1%	Subsequent Change Limit	1%
			Closing Costs/ Settlement Charges	\$7,296	Closing Costs/ Settlement Charges	\$13,742.87
			Cash to Close	\$26,296	Cash to Close	\$27,787.87
			Sale Price	\$240,000	Sale Price	\$240,000
Other	None	Other	1. Increases exceed legal limits by \$2,140 2. \$3,000 closing costs incorporated into loan amount			

Site Locations

For this study, the CFPB team selected 20 sites from each of the Census Bureau regions and sub-regions in the continental United States. In addition, some cities had a rural population within 50 miles of the site so the sample included variations of urban, suburban, and rural populations. We defined large cities as any with a DMA population greater than 5 million and medium cities with a population of 1 million or more and less than 5 million. Population figures are based on information at <http://www.censusbureau.gov/popest/data/metro/totals/2012>. See Figure 8. *Site Locations* below.

FIGURE 8. Site Locations



Recruitment

For the Quantitative Study, a sample of adults within the 20 selected DMAs was screened. To qualify for the main survey, respondents had to:

- be 18 years old or older;
- live in a household within 50 miles of the MSA/location used for the interview;
- have purchased or refinanced a home in the last five years or have never purchased or have not purchased or refinanced in the last five years and have the intent to purchase or refinance in the next two years; and
- agree to participate in the in-person interview.

Respondents were paid an incentive of \$75.00 to compensate for travel time, expenses, and the session.

The screening for the main study period occurred between April 16, 2013, and June 12, 2013. Participants completed the main screener survey in 7 minutes (median). See *Appendix D. Recruiting Script*.

The completion rates for the screening questions and main interview, and the incidence/eligibility rate are presented in *Table 5. Key Survey Response Statistics*.

TABLE 5. Key Survey Response Statistics

Key Survey Response Statistics	N Sampled	N Qualified Complete	Qualified Respondent in Home Rate
Pass All Screening Criteria	10,761	1,030	9.6%
Not Qualified	10,761	5,947	55.3%
Non-Responder	10,761	3,553	33.0%

In addition, in 231 homes, the screening survey was started but was incomplete and the potential respondent was determined to be “not qualified.” The total number of completed surveys in the field was 858. For those respondents who did not show up at the field facility for the interview, replacements were recruited at the site, using the Quantitative Study’s definition of experienced and inexperienced mortgage borrowers.

The Recruitment Panel

To recruit the sample population, the CFPB team used a probability-based web panel, the KnowledgePanel™, a proprietary panel operated by Knowledge Networks, within the DMA. KnowledgePanel is the first online research panel based on probability sampling covering both the online and offline populations in the United States. Although often used to recruit online survey respondents, the Quantitative Study used the panel to recruit respondents for in-person test groups in the 20 different DMAs—randomly selecting individuals within each market.

The KnowledgePanel

KnowledgePanel members are recruited through a nationally representative sample—at an unweighted level, originally by telephone and now exclusively through postal mail addressed-based sampling. Households receive access to the Internet and hardware if needed.¹⁸ See *Appendix E. KnowledgePanel Background*.

According to the Centers for Disease Control and Prevention (January-June 2010), approximately 28.6% of all United States households cannot be contacted through random digit dialing (RDD) sampling—26.6% because of cell-phone-only households (CPOHH) status and 2% because they have no telephone service whatsoever. Among some age segments, the RDD non-coverage would be substantial: 40% of young adults, ages 18–24, reside in CPOHHs, 51% of those ages 25–29 reside in CPOHHs, as do 40% of those ages 30–34.¹⁹

Because of these changing demographics, KnowledgePanel recruitment uses dual sampling frames that include both listed and unlisted telephone numbers, telephone and non-telephone households, and cell-phone-only households, as well as households with and without Internet access. Only persons sampled through these probability-based techniques are eligible to participate on KnowledgePanel. Unless invited to do so as part of these national samples, no one can volunteer to be on the panel. To offset attrition, multiple recruitment samples are fielded evenly throughout the calendar year.

The Consumers for Testing

In the recruitment script, we excluded from participation consumers who answered that they never intended to purchase or refinance a house because they were not a part of the intended target audience. We also excluded those who worked in the mortgage loan or title insurance industries, or who had participated in the earlier qualitative research on developing the proposed disclosures. We determined if respondents were experienced or inexperienced based on the following criteria:

¹⁸ Knowledge Networks, now owned by GfK Custom Research, is a part of the contractor team led by Kleimann Communication Group.

¹⁹ Blumberg, S.J. and J.V. Luke. December 2010. *Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2010*. National Center for Health Statistics. Available from: <http://www.cdc.gov/nchs/nhis.htm>.

- Respondents who stated that they had previously purchased or refinanced a house within the past 5 years were considered experienced. The study used a five-year time frame, rather than a shorter time frame, to acknowledge the difficulties of obtaining financing in 2010-2012 during the housing crisis when credit standards tightened. To further refine respondents' level of experience, we asked the potential respondents to identify how many times they had purchased a home with a mortgage loan or refinanced a mortgage loan.
- Respondents who had never purchased a home or who had not purchased or refinanced a home in the past 5 years and intended to do so in the next 2 years were considered inexperienced.

Experienced (424) and inexperienced (434) respondents were randomly assigned to the levels of the remaining factors, creating, within the 2 x 2 x 2 x 2 design, 16 cells with approximately equal numbers of respondents.

In addition, we recruited for a mix of respondents across standard demographics, including gender, age, marital status, education, household income, and location. Recruitment resulted in a balanced number of respondents in nearly all demographic categories.²⁰ See *Table 6. Percentages of Demographic Characteristics of Respondents by Current and Proposed Disclosures*. Further, recruitment resulted in an equally balanced number of respondents across the other categories, that is, fixed rate and adjustable rate loans, easier and more challenging loans, and experienced and inexperienced respondents.

²⁰ Respondents skew somewhat toward higher education.

TABLE 6. Percentages of Demographic Characteristics of Respondents by Current and Proposed Disclosures

Characteristic	Total (858) Percentage	Current (428) Percentage	Proposed (430) Percentage
Gender	%	%	%
Male	45	45	45
Female	54	53	54
Age			
18-24	4	3	5
25-34	24	22	26
35-44	20	19	21
45-54	21	24	19
55-64	19	19	20
65-74	8	10	7
75 or older	2	2	1
Marital Status			
Married	50	51	49
Widowed	2	1	2
Divorced	11	12	10
Separated	2	2	1
Never married	24	22	26
Living with partner	10	10	11
No answer	1	1	1
Education			
Less than high school	0	0	1
High school graduate	6	7	5
Technical/trade school	1	1	1
Some college	28	29	27
College graduate	63	61	64
No answer	2	2	1
Ethnicity			
White, Caucasian	74	71	76
Black, African-American	15	16	14
Asian, Asian-American	1	1	1
American Indian, Alaska Native	0	0	1
Some other race	4	4	4
No answer	6	7	4

TABLE 6. *continued*

Characteristic	Total (858) Percentage	Current (428) Percentage	Proposed (430) Percentage
Household Income	%	%	%
Less than \$35,000	12	10	13
\$35,000 to 49,999	15	16	15
\$50,000 to 74,999	26	27	25
\$75,000 to 99,999	20	20	20
\$100,000 to 124,999	11	11	11
\$125,000 to 149,999	6	6	6
\$150,000 to 174,999	4	4	4
\$175,000 or more	5	5	5
No answer	1	1	1
Living Quarters			
Owned or being bought by you or someone in your household	63	64	62
Rented for cash	33	32	33
Occupied without payment of cash rent	3	2	4
No answer	1	2	1
Location			
Atlanta	5	5	6
Boston	6	5	6
Chicago	7	7	7
Columbus	4	4	4
Dallas	6	6	6
Denver	5	5	4
Houston	5	5	5
Kansas City	2	2	2
Minneapolis	7	8	7
Nashville	3	3	4
Orlando	6	5	6
Paramus	3	4	3
Philadelphia	7	7	8
Phoenix	4	4	4
Pittsburgh	5	5	5
Raleigh	4	4	4
San Diego	5	5	4
San Francisco	6	6	6
Seattle	5	5	5
St. Louis	6	6	6

Quality Assurance Techniques

In a study of this complexity, quality assurance is of critical importance. For this project, we took precautions at multiple stages to ensure accuracy.

Loan Preparation

The CFPB team prepared the numbers for each loan. These numbers were checked internally and again by the Kleimann team as they filled in the disclosures for the testing. Because the current and proposed disclosures used the same numbers in their paired groups, the Kleimann team further checked that the numbers matched in each paired set of loans.

Rotations

Within each loan package, the order of the loans was varied in terms of the initial loan that was seen when removed from the package, which loan was used for Part 3, and the matching final disclosure that was used for Parts 4 and 5. The Kleimann team developed the rotations and the instructions for the rotations, and the data collection team lead checked each package as a final step.

Pretesting

The questionnaire had two rounds of pre-testing on February 27, 2013, in Bethesda, MD and on April 11, 2013, in Baltimore, MD. Nine respondents were recruited for each site and met the same recruiting criteria as described above. The proctor used the Proctor Script and worked with both individuals and small groups. Respondents looked at both the current and the proposed disclosure sets. The goal was to identify questions in which the phrasing was ambiguous, misleading, or resulted in responses we did not expect. In addition, we verified the timing of the 5 parts, the logistics of the packaging of the disclosures, and the length of time respondents using the current or proposed disclosures needed to complete the parts of the study.

Pretesting confirmed that respondents could comprehend the questions and provide usable responses, with only minor modifications necessary to the questionnaire and instructions. Although the overall length was appropriate at 60 minutes, we adjusted the time allotted to individual parts. Finally, the pretesting showed that the packaging was feasible and that the differences in time it took to complete a task with the current or proposed disclosures were not excessive.

Answer Keys

We developed multiple answer keys. First, each loan had different numbers. Second, for the current and proposed disclosures, the numbers presented on the disclosures were different due to numbers that could be rounded on the Loan Estimate. Third, the answer keys also provided the possible and acceptable answers to each question and reflected the difference in language about closing costs and settlement charges. As a result, the CFPB team developed separate answer keys

and verified them with each loan package. These answer keys were used for entering the data. See *Appendix F. Answer Key for a sample answer key.*

Open-ended Coding for Questions 2 and 42

The CFPB team developed coding lists for each of the two open-ended questions, Questions 2 and 42. All open-ended questions were coded using standard market research industry standards. This included developing a code list using the first 40% of the responses. The responses were coded into like content categories or codes. The draft code list was reviewed by the CFPB team to determine if all codes were appropriate, expansive, and complete. Once the code list was approved, the coding team coded all open-ended responses. See *Appendix G. Coding Lists.*

Survey Cooperation

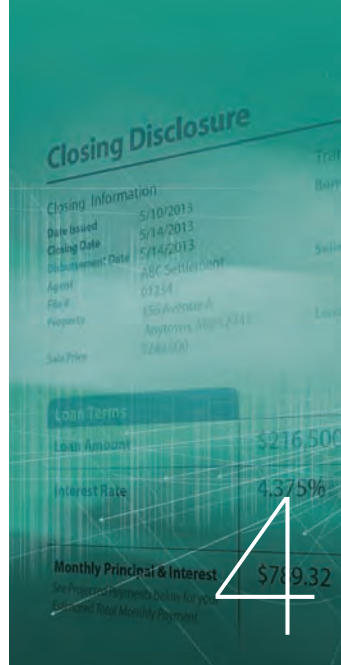
- A reminder letter was sent to scheduled respondents giving the time of the session and directions to the testing facility.
- A phone call reminder was made prior to the scheduled time.
- Email reminders to non-responders were sent every three days during the field period to encourage participation.

Data Cleaning of Parts 2, 3, and 4

- A closed end-cleaning program was written for each of the survey options based on the programming logic in the final questionnaires and any additional instructions provided by the project manager.
- The Data Processing team began writing the cleaning program as soon as the final data layout was available from the project team.
- The cleaning program checked that respondents had followed the correct skip logic according to the final questionnaire provided.
- The program confirmed that the correct punches were present for all questions that should be answered and conversely that questions that should be skipped were blank in the data file.
- Any errors found were addressed before a final clean file was output. This included going back to the original survey documents to make sure the proper code was given to each respondent answer.
- Apart from the standard cleaning, we used the answer keys provided by the CFPB to assist in the data clean to finalize skip patterns and appropriate answer ranges to count as a correct answer. The answer keys were also used to design the scoring system as described in the report. We created a special data tabulation banner of the 32 questionnaire versions in order to confirm the answer keys and to confirm the scoring system.
- Once the cleaning process was complete, the data was merged with the open-end code data.

Data Coding

- Members of GfK's Public Affairs and Corporate Communications Team, along with support from GfK's Government and Academic Research practice, managed the data collection, data processing, and data delivery tasks for this study. The data collection team leader, a key member of the CFPB Quantitative Study team, was responsible for the overall management of this project and the senior research director was responsible for in-field data collection management and all data processing tasks, including the delivery of the final data sets and scoring cross tabulations.
- The data collection team leader and senior research director both monitored the implementation of the study and provided a quality assurance oversight role to ensure that the study was conducted according to the study's design. Upon completion of the data collection in the field, data entry staffers entered all questionnaires, including all open- and close- ended questions, and imported respondent demographic information from the KnowledgePanel database to finalize each respondent record. Those records were then checked for accuracy and cleaned of any personally identifiable information (PII) before being included in the final data set. The data files were then fitted for additional analysis through the development of analytical banners/crosstabs by demographics (age, region, household income, gender), behavioral metrics (experienced/inexperienced), and characteristics of the loan disclosure (fixed/adjustable rate, easier/more challenging) from the screening and in-field questionnaires. The final cross-tabulation banners were checked and cleaned before final delivery to the CFPB.



Results

As noted earlier, this study involved 5 distinct parts to the questionnaire and 6 tasks within those parts. The heart of our study was focused on Questions 3 through 41, which occurred in Parts 2, 3, and 4, and included Tasks 2, 3, 4, and 5. See *Table 2. Key Topics, Questionnaire Parts, Tasks, and Related Questions* for a matching of questions to parts and tasks. For this chapter, we focus first on the results in Parts 2, 3, and 4 (Tasks 2-5) and then on Part 1 (Task 1).²¹

Plan of Analyses for Parts 2, 3, and 4

For Parts 2, 3, and 4, each respondent for both current and proposed disclosures answered a total of 39 questions (Question 3 through Question 41) that could be scored as having been answered correctly or incorrectly based on the answer keys. For each question, respondents were assigned a score of "1" if they answered the question correctly or if they were required to skip the

²¹ We have excluded an analysis of Question 42 and Questions 43 through 48 from this report. For Question 42—"Do you have any comments about the final loan terms and costs?"—respondents provided relatively few useful responses; 45.6% left the question blank; 12.5% gave "nothing" (or a variation of such) as their response. For the scale rating questions (Questions 43 through 48), responses were inconsistent. We included reverse wording in these questions following conservative psychometric practice. Four items used an agreement scale to rate whether a task was "easy" to perform and two other items used the same agreement scale to rate whether a task was "hard" to perform. Initial results showed that the scale and item wording may have confused respondents. Schriesheim and Hill (1981) observe that these "confused" responses are often not caused by true, underlying constructs, but are an artifact of the way in which people respond to those items. Respondents can respond inaccurately because they are confused by the negative wording, or because they are careless and read negative items similarly to positive ones. As a result, we excluded these questions from the analysis as well.

question because of a correct answer to a prior question. Respondents were assigned a score of “0” if they failed to answer the question correctly or if they were required to skip the question based on an incorrect answer to a prior question. Multiple correct answers were possible for a few questions (for example, Question 17). For these, respondents could receive partial credit (for example, a score of ½).

Our analysis centered primarily on the accuracy scores assigned to respondents for these 39 key questions.

1. We looked at accuracy of responses with current versus proposed disclosures based on aggregate measures computed across all of the questions in Parts 2, 3, and 4. This analysis is similar to the analysis reported by the FTC in its mortgage disclosure study in 2007.²²
2. We looked at several sub-aggregate analyses that focused on questions grouped by the parts and tasks performed by respondents and by specific content areas covered by the questions (for example, amortization, interest rate, and so on).
3. We examined the more detailed data generated by individual questions and whether the results varied by respondent experience levels, loan complexity, and loan type. The statistical comparison in these analyses was completed on a question-by-question basis and is akin to those reported by the FTC in their 2007 report.²³
4. For statistical testing, we compared points at the 95% confidence level using a two-tailed t-test. Most of the comparisons are based on subgroups of approximately 430 respondents. The Margin of Error (MOE) for these comparisons for responses around 50% at the 95% confidence level is +/- 4.7 percentage points.

Aggregate Accuracy Results

Two aggregate indices designed to capture the overall accuracy of responses were created from scores assigned to the 39 individual questions. Both indices were intended to capture the percentage of correct responses that a respondent gave to the questions. However, they differed on how responses to questions that could be skipped were treated. One index was based on scores assigned to all 39 questions, while a second index was based only on the 29 “non-skippable” questions that all respondents were required to answer.

Table 7. Percentage of Questions Answered Correctly with Current Versus Proposed Disclosures: Aggregate Results compares the percentage of correct responses for respondents exposed to the current disclosures versus proposed disclosures based on these two indices. The upper half of the table displays results for the first index (based on 39 questions), while the lower half of the table shows comparable results for the second index (based on 29 “non-skippable” questions).

²² Lacko and Pappalardo, 2007, Table 6.1, p. 70.

²³ *Ibid.*, Table 6.8, p.112.

TABLE 7. Percentage of Questions Answered Correctly with Current Versus Proposed Disclosures: Aggregate Results

Category	Current Disclosures	Proposed Disclosures	Percentage Point Difference
Base of 39 Questions			
All Respondents (428/430)	59.3%	76.2%	16.9*
Experienced Respondents (215/209)	62.9%	78.9%	16.0*
Inexperienced Respondents (213/221)	55.7%	73.5%	17.8*
Easier Loan (217/215)	61.9%	79.4%	17.5*
More Challenging Loan (211/215)	56.6%	72.8%	16.2*
Fixed Rate Loan (214/215)	57.6%	75.2%	17.6*
Adjustable Rate Loan (214/215)	61.0%	77.1%	16.1*
Base of 29 Questions			
All Respondents (428/430)	64.5%	79.3%	14.8*
Experienced Respondents (215/209)	68.1%	81.9%	13.8*
Inexperienced Respondents (213/221)	60.8%	76.7%	15.9*
Easier Loan (217/215)	65.6%	81.0%	15.4*
More Challenging Loan (211/215)	63.3%	77.5%	14.2*
Fixed Rate Loan (214/215)	63.6%	79.0%	15.4*
Adjustable Rate Loan (214/215)	65.3%	79.5%	14.2*

Notes: (1) Figures in parentheses are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in the average proportion of questions answered correctly, with * indicating significance at the five percent level.

In the results for the first index, respondents exposed to the current disclosures answered 59.3% of all 39 questions correctly. The corresponding percentage for respondents exposed to the proposed disclosures was 76.2% of all 39 questions answered correctly. The difference (16.9 percentage points) was statistically significant²⁴ and persisted when we looked at it separately within subgroups. For example, although experienced respondents performed better overall than inexperienced respondents (about 6 percentage points better, on average), the proposed disclosures outperformed the current disclosures by an approximately 17 percentage point margin within each of these two groups. A similar pattern was evident when we looked at the results for easier versus more challenging loans and for fixed rate versus adjustable rate loans.

²⁴ Here and throughout this report, by "statistically significant" we mean at the five percent level based on a two-tailed test.

In each instance, the difference in performance for respondents exposed to the current versus the proposed disclosures was in the 16 to 17.8 percentage point range in favor of the proposed disclosures.

Results for the second index showed a virtually identical pattern, except that the difference in performance for respondents exposed to the current versus the proposed disclosures was marginally smaller (14.8 percentage point advantage across all respondents) and in the 13.8 to 15.9 percentage point range in favor of the proposed disclosures across the subgroups.

In sum, both aggregate indices showed a statistically significant performance advantage of approximately 16 percentage points for the proposed disclosures. Furthermore, this advantage was quite similar in magnitude for experienced as well as inexperienced respondents, easier as well as more challenging loans, and fixed rate as well as adjustable rate loans (a 13.8 to 17.8 percentage point range advantage).

Results Grouped by Part and Task

In Parts 2, 3, and 4 of the questionnaire, the complete set of 39 questions (as well as the subset of 29 non-skippable questions) was divided into four groups corresponding to four distinct tasks within those parts (Part 2-Task 2, Part 3-Task 3, Part 4-Task 4, and Part 4-Task 5) performed by respondents during the study. In this section, we compare the performance of the current and proposed disclosures separately for questions within each of these tasks. For our discussion, we have broken out each part and task and placed questions in the order of the highest difference to the lowest difference. *Appendix H. Table 8. Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures—Grouped by Task* shows a complete table of results.²⁵

Part 2. Task 2. Comparison of Initial Disclosures for Two Loans

For Part 1, Task 1, respondents examined initial disclosures for two loans (two initial TILA disclosures and two GFEs for current disclosures or two Loan Estimates for the proposed disclosures), made a choice, and listed reasons for that choice. For Part 2, Task 2, respondents answered a series of 8 questions involving comparisons between the terms and costs associated with the two loans from Task 1. These questions included Questions 3 through 10. The non-skippable questions were Questions 3 through 8 with the 2 skippable questions asking for more detail about Question 8.

Table 8.1. Part 2, Task 2. Comparison of Initial Disclosures: Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 57.3% of the 8 questions correctly, while respondents exposed to the proposed disclosures answered 81.4% of the questions correctly (difference = 24.1 percentage points). The comparable results for the 6 non-skippable measures were similar (63.8% for current disclosures, 83.3% for proposed disclosures, difference = 19.5 percentage points). Both differences were statistically significant.

²⁵ For this section, we have divided Table 8 into four smaller tables relevant to the discussion.

Table 8.1 also shows that respondents exposed to the proposed disclosures answered all 8 of the questions more accurately than did respondents exposed to the current disclosures. The difference in percentage of correct responses was statistically significant for 7 of 8 questions and was relatively large (20 or more) for 4 of 8 questions. For non-skippable questions, the difference in percentages of correct responses was statistically significant for 5 of 6 questions and was relatively large (20 or more) for 2 of 6 questions.

TABLE 8.1. Part 2, Task 2. Comparison of Initial Disclosures: Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Questions	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 8 Questions	57.3%	81.4%	24.1*
Average for 6 Non-skippable Questions	63.8%	83.3%	19.5*
Amount Borrowed – Q3	32.5%	81.4%	48.9*
Change in Total Monthly Payment – Q9**	39.0%	77.9%	38.9*
Total Monthly Payment – Q8	49.5%	86.3%	36.8*
Highest Total Monthly Payment – Q10**	36.9%	73.0%	36.1*
Escrow Account – Q6	80.4%	94.4%	14.0*
Points Paid – Q5	55.8%	62.8%	7.0*
Interest Rate Year 1 – Q4	81.3%	87.4%	6.1*
APR – Q7	83.2%	87.7%	4.5

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures.

(2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Part 3. Task 3. Comprehension of Initial Disclosure for One Loan

In Part 3 of the study, respondents answered 16 questions about the terms and costs detailed in the initial disclosure for one of the two loans they had just compared (one GFE and initial TILA disclosure for the current disclosures or one Loan Estimate for the proposed disclosures). These questions included Questions 11 through 26. The 14 non-skippable questions included all except Questions 14 and 26, both of which asked for more detail about the previous question.

Table 8.2. Part 3, Task 3. Comprehension of Initial Disclosure: Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures (Ordered by Percent Point Difference) shows that, on average, respondents exposed to the current disclosures answered 70.0% of the 16 questions correctly, while respondents exposed to the proposed disclosures answered 80.5% of the questions correctly (difference = 10.5 percentage points). The comparable results for the 14 non-skippable questions were somewhat weaker but still in favor of the proposed disclosures (74.0% for current disclosures, 80.9% for proposed disclosures, difference = 6.9 percentage points). Both differences were statistically significant.

Table 8.2 also shows that respondents exposed to the proposed disclosures answered 12 of the 16 questions more accurately than did respondents exposed to the current disclosures. The difference in percentage of correct responses was statistically significant for 9 of 16 questions in favor of the proposed disclosures, and for 1 of 16 questions in favor of the current disclosures. The difference in percentage of correct responses was relatively large (20 percentage points or more) for 4 of 16 questions in favor of the proposed disclosures and for 1 of 16 questions in favor of the current disclosures. For the non-skippable questions, the difference in percentage of correct responses was statistically significant for 7 of 14 questions in favor of the proposed disclosures, and for 1 of 14 questions in favor of the current disclosures. The difference in percentage of correct responses was relatively large (20 percentage points or more) for 3 of 14 questions in favor of the proposed disclosures and for 1 of 14 questions in favor of the current disclosures.

TABLE 8.2. Part 3, Task 3. Comprehension of Initial Disclosure. Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Questions	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 16 Questions	70.0%	80.5%	10.5*
Average for 14 Non-skippable Questions	74.0%	80.9%	6.9*
Mortgage Insurance – Q26**	2.3%	65.1%	62.8*
Loan Amount – Q11	60.5%	99.1%	38.6*
Closing/Settlement Services Can Shop For – Q19	62.8%	92.9%	30.1*
First Monthly Payment – Q18	43.7%	64.7%	21.0*
Principal Paid Off in 5 Years – Q24	59.1%	78.6%	19.5*
Mortgage Insurance – Q25	63.1%	77.0%	13.9*
APR – Q23	65.7%	79.5%	13.8*
Timing of Interest Rate Change – Q14**	80.6%	90.0%	9.4*
Interest Rate Year 1 – Q12	92.1%	96.7%	4.6*
Final Payment Timing – Q20	93.2%	94.9%	1.7
Refinance Cost – Q22	53.3%	54.9%	1.6
Interest Rate Change – Q13	92.8%	93.3%	0.5
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1
Closing Costs /Settlement Charges Items – Q17	90.3%	86.5%	-3.8
Escrow Fund – Q21	83.4%	79.5%	-3.9
Closing Costs /Settlement Charges – Q16	86.2%	46.3%	-39.9*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Part 4. Task 4. Comparison of Initial Disclosure and Final Disclosure for One Loan

In Part 4 of the study, respondents were given a final disclosure for the same loan they had used in Part 3 (one HUD-1 disclosure and one final TILA disclosure for the current disclosures or one Closing Disclosure for the proposed disclosures). They answered 8 questions requiring a comparison between the two disclosures. These questions included Questions 28 through 35. The 4 non-skippable questions were Questions 28, 30, 32, and 34 with each skippable question asking for more detail about the previous question.

Table 8.3. Part 4, Task 4. Comparison of Initial and Final Disclosure: Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 54.9% of the 8 questions correctly, while respondents exposed to the proposed disclosures answered 69.0% of the 8 questions correctly (difference = 14.1 percentage points). The comparable results for the 4 non-skippable questions were somewhat stronger in favor of the proposed disclosures (61.6% for current disclosures, 79.0% for proposed disclosures, difference = 17.4 percentage points). Both differences were statistically significant.

Table 8.3 also shows that respondents exposed to the proposed disclosures answered all 8 of 8 questions more accurately than did respondents exposed to the current disclosures. The difference in percentage of correct responses was statistically significant for 5 of 8 questions in favor of the proposed disclosures, and was relatively large (20 percentage points or more) for 2 of 8 questions. For the non-skippable questions, the difference in percentage of correct responses was statistically significant for all 4 of the 4 questions in favor of the proposed disclosures and was relatively large (20 percentage points or more) for 1 of the 4 questions.

TABLE 8.3. Part 4, Task 4. Comparison of Initial and Final Disclosure. Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Questions	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 8 Questions	54.9%	69.0%	14.1*
Average for 4 Non-skippable Questions	61.6%	79.0%	17.4*
Reason for Loan Amount Change – Q29**	29.4%	62.6%	33.2*
Loan Amount at Closing – Q28	50.9%	82.8%	31.9*
Closing Costs /Settlement Charges – Q32	77.6%	94.0%	16.4*
Escrow Account – Q34	36.0%	52.1%	16.1*
One Different Escrow Item – Q35**	54.0%	60.0%	6.0
Interest Rate in Year 1 – Q30	81.8%	87.2%	5.4*
Reason for Different Interest Rates – Q31**	62.6%	65.1%	2.5
One Different Closing Cost/Settlement Charge – Q33**	47.0%	47.9%	0.9

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Part 4. Task 5. Comprehension of Final Disclosure for One Loan

Part 4 of the study also included 7 questions focused solely on the final disclosure document (one HUD-1 disclosure and one final TILA disclosure for the current disclosures or one Closing Disclosure for the proposed disclosure). The 7 questions included Question 27 and Questions 36 through 41. The 5 non-skippable questions included Questions 27, 36, 37, 38, and 39.

Table 8.4. Part 4, Task 5. Comprehension of Final Disclosure: Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 42.1% of the 7 questions correctly, while respondents exposed to the proposed disclosures answered 68.5% of the 7 questions correctly (difference = 26.4 percentage points). The comparable results for the 5 non-skippable questions were somewhat stronger in favor of the proposed disclosures (40.7% for current disclosures, 69.8% for proposed disclosures, difference = 29.1 percentage points). Both differences were statistically significant.

Table 8.4 also shows that respondents exposed to the proposed disclosures answered all 7 of 7 questions more accurately than did respondents exposed to the current disclosures. The difference in percentage of correct responses was statistically significant for 7 of 7 of the questions and 5 of 5 non-skippable questions, and was relatively large (20 percentage points or more) for 5 of 7 questions and for 4 of 5 non-skippable questions.

TABLE 8.4. Part 4, Task 5. Comprehension of Final Disclosure: Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Questions	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 7 Questions	42.1%	68.5%	26.4*
Average for 5 Non-skippable Questions	40.7%	69.8%	29.1*
Loan Amount – Q27	43.9%	86.7%	42.8*
Cash needed for Closing/Settlement – Q36	45.8%	80.2%	34.4*
Highest Monthly Principal & Interest Payment – Q38	14.5%	43.0%	28.5*
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8*
First Monthly Principal & Interest Payment Change – Q40**	46.3%	67.9%	21.6*
Principal & Interest Payment Change Frequency – Q41**	44.6%	62.3%	17.7*
Loan Amount Increase After Closing/Settlement – Q37	49.3%	65.1%	15.8*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures.

(2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Summary

The data in Tables 8.1 - 8.4 show that the proposed disclosures outperformed the current disclosures consistently for each of the four tasks performed by respondents in the study. On average, the advantage for the proposed disclosures varied from 26.4 percentage points (for comprehension of final disclosures) to 10.1 percentage points (for comprehension of initial disclosures).

Results Grouped by Specific Loan Concepts

In Parts 2, 3, and 4 of the study, the complete set of 39 questions (as well as the subset of 29 non-skipable questions) was divided into 8 groups corresponding to 8 distinct loan-related concepts or terms. These concept areas included amortization, annual percentage rate (APR), closing costs/ settlement charges, escrow account, interest rate, loan amount, monthly payments, and mortgage insurance. A ninth area — risk factor — included questions from several of the other 8 concept areas. See Table 2: Key Topics, Questionnaire Parts, Tasks, and Related Questions.

Appendix I. Table 9. Percentage of Respondents Answering Correctly With Current Versus Proposed Disclosures — Grouped by Concept shows a complete table of results.²⁶ Table 9 also shows the 8 questions that are related to respondent comprehension of risk factors associated with the loan.

In this section, we compare the performance of the current and proposed disclosures separately for questions focused on each of these nine concept areas. For our discussion below, we have broken out each concept and placed questions in the order of the highest difference to the lowest difference.

Concept 1. Amortization

The study included three questions on amortization. These questions included questions 20, 22, and 24 — all from Part 3 of the study and all were non-skipable questions. Table 9.1: Amortization: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 68.5% of these questions correctly, while respondents exposed to the proposed disclosures answered 76.1% of the questions correctly (difference = 7.6 percentage points). This difference was statistically significant.

Table 9.1 also shows that respondents exposed to the proposed disclosures answered all 3 of 3 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 1 of the 3 questions, and was relatively large (20 percentage points or more) for none of the questions.

26 For this section, we have divided Table 9 into nine smaller tables relevant to the concept discussion.

TABLE 9.1. Amortization: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Amortization Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 3 Questions (all non-skippable)	68.5%	76.1%	7.6*
Principal Paid Off in 5 Years – Q24	59.1%	78.6%	19.5*
Final Payment Timing – Q20	93.2%	94.9%	1.7
Refinance Cost – Q22	53.3%	54.9%	1.6

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level.

Concept 2. Annual Percentage Rate (APR)

The study included 2 non-skippable questions on APR. The questions included Questions 7 and 23 from Parts 2 and 3.

Table 9.2. Annual Percentage Rate (APR): Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 74.4% of the 2 questions correctly, while respondents exposed to the proposed disclosures answered 83.6% of the 2 questions correctly (difference = 9.2 percentage points). This difference was statistically significant.

Table 9.2 also shows that respondents exposed to the proposed disclosures answered both questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 1 of the 2 questions, and the difference was relatively large (20 percentage points or more) for none of the questions.

TABLE 9.2. Annual Percentage Rate (APR): Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point of Difference)

APR Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 2 Questions (both non-skippable)	74.4%	83.6%	9.2*
APR – Q23	65.7%	79.5%	13.8*
APR – Q7	83.2%	87.7%	4.5

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level.

Concept 3. Closing Costs/Settlement Charges

The study included 7 questions on closing costs/settlement charges with 6 non-skippable questions. The 7 questions included Questions 5, 16, 17, 19, 32, 33, and 36 which were spread across Parts, 2, 3, and 4 of the questionnaire. All questions were non-skippable except Question 33.

Table 9.3: Closing Costs/Settlement Charges: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 66.5% of the 7 questions correctly, while respondents exposed to the proposed disclosures answered 72.9% of the 7 questions correctly (difference = 6.4 percentage points). The comparable results for the 6 non-skippable questions were somewhat better for both disclosures (69.8% for current disclosures, 77.1% for proposed disclosures, difference = 7.3 percentage points). Both differences were statistically significant.

Table 9.3 also shows that respondents exposed to the proposed disclosures answered 5 of 7 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 4 of 7 questions in favor of the proposed disclosures. For the non-skippable questions, respondents exposed to the proposed disclosures answered 4 of 6 questions more accurately than respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 4 of 6 non-skippable questions.

Two of 7 questions and 2 of 6 non-skippable questions were answered more accurately in favor of the current disclosures, and 1 of these was statistically significant.

Finally, the difference was relatively large (20 percentage points or more) in favor of the proposed disclosures for 2 of 7 questions and 2 of 6 non-skippable questions. By comparison, the difference was relatively large for 1 of 7 questions and 1 of 6 non-skippable questions in favor of the current disclosures.

TABLE 9.3. Closing Costs/Settlement Charges: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Closing Costs/Settlement Charges Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 7 Questions	66.5%	72.9%	6.4*
Average for 6 Non-skippable Questions	69.8%	77.1%	7.3*
Cash needed for Closing/Settlement – Q36	45.8%	80.2%	34.4*
Closing/Settlement Services Can Shop For – Q19	62.8%	92.9%	30.1*
Closing Costs/Settlement Charges – Q32	77.6%	94.0%	16.4*
Points Paid – Q5	55.8%	62.8%	7.0*
One Different Closing Cost/Settlement Charge – Q33**	47.0%	47.9%	0.9
Closing Costs/Settlement Charges Items – Q17	90.3%	86.5%	-3.8
Closing Costs/Settlement Charges – Q16	86.2%	46.3%	-39.9*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 4. Escrow Account

The study included 4 questions on escrow account with 3 non-skippable questions. The questions included Questions 6, 21, 34, and 35 from Parts 2, 3, and 4. Only Question 35 was skippable.

Table 9.4. Escrow Account: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on average, respondents exposed to the current disclosures answered 63.4% of the 4 questions correctly, while respondents exposed to the proposed disclosures answered 71.5% of the 4 questions correctly (difference = 8.1 percentage points). The comparable results for the 6 non-skippable questions were somewhat better for both disclosures (66.6% for current disclosures, 75.4% for proposed disclosures, difference = 8.8 percentage points). Both differences were statistically significant.

Table 9.4 also shows that respondents exposed to the proposed disclosures answered 3 of 4 questions (2 of 3 non-skippable questions) more accurately than did respondents exposed to

the current disclosures. The difference in the percentage of correct responses was statistically significant for 2 of 4 questions in favor of the proposed disclosures, and for 0 of 4 questions in favor of the current disclosures. The difference in the percentage of correct responses was statistically significant for 2 of 3 non-skippable questions. Finally, the difference was relatively large (20 percentage points or more) for none of the questions.

TABLE 9.4. Escrow Account: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Escrow Account Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 4 Questions	63.4%	71.5%	8.1*
Average for 3 Non-skippable Questions	66.6%	75.4%	8.8*
Escrow Account – Q34	36.0%	52.1%	16.1*
Escrow Account – Q6	80.4%	94.4%	14.0*
One Different Escrow Item – Q35**	54.0%	60.0%	6.0
Escrow Fund – Q21	83.4%	79.5%	-3.9

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 5. Interest Rate

The study included 6 questions on interest rate with 4 non-skippable questions. These questions included Questions 4, 12, 13, 14, 30, and 31 from Parts 2, 3, and 4; the non-skippable questions included Questions 4, 12, 13, and 30. *Table 9.5: Interest Rate: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)* shows that, on average, respondents exposed to the current disclosures answered 81.9% of the 6 questions correctly, while respondents exposed to the proposed disclosures answered 86.6% of the 6 questions correctly (difference = 4.7 percentage points). The comparable results for the 4 non-skippable questions were somewhat better for both disclosures (87.0% for current disclosures, 91.2% for proposed disclosures, difference = 4.2 percentage points). Both differences were statistically significant.

Table 9.5 also shows that respondents exposed to the proposed disclosures answered all 6 of 6 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 4 of 6 of the questions (3 of 4 non-skippable questions), and was relatively large (20 percentage points or more) for none of the 6 questions.

TABLE 9.5. Interest Rate: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Interest Rate Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 6 Questions	81.9%	86.6%	4.7*
Average for 4 Non-skippable Questions	87.0%	91.2%	4.2*
Timing of Interest Rate Change – Q14**	80.6%	90.0%	9.4*
Interest Rate Year 1 – Q4	81.3%	87.4%	6.1*
Interest Rate in Year 1 – Q30	81.8%	87.2%	5.4*
Interest Rate Year 1 – Q12	92.1%	96.7%	4.6*
Reason for Different Interest Rates – Q31**	62.6%	65.1%	2.5
Interest Rate Change – Q13	92.8%	93.3%	0.5

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 6. Loan Amount

The study included 6 questions on loan amount with 5 non-skippable questions. Questions included Questions 3, 11, 27, 28, 29, and 37 from Parts 2, 3, and 4; only Question 29 was a skippable question. *Table 9.6: Loan Amount: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)* shows that, on average, respondents exposed to the current disclosures answered 44.4% of the 6 questions correctly, while respondents exposed to the proposed disclosures answered 79.6% of the 6 questions correctly (difference = 35.2 percentage points). For the 5 non-skippable questions, the comparable results were somewhat better for both disclosures (47.4% for current disclosures, 83.0% for proposed disclosures, difference = 35.6 percentage points). Both differences were statistically significant.

Table 9.6 also shows that respondents exposed to the proposed disclosures answered all 6 of 6 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 6 of 6 of the questions and 5 of 5 non-skippable questions, and was relatively large (20 percentage points or more) for 5 of 6 questions and 4 of 5 non-skippable questions.

TABLE 9.6. Loan Amount: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Loan Amount Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 6 Questions	44.4%	79.6%	35.2*
Average for 5 Non-skippable Questions	47.4%	83.0%	35.6*
Amount Borrowed – Q3	32.5%	81.4%	48.9*
Loan Amount – Q27	43.9%	86.7%	42.8*
Loan Amount – Q11	60.5%	99.1%	38.6*
Reason for Loan Amount Change – Q29**	29.4%	62.6%	33.2*
Loan Amount at Closing/Settlement – Q28	50.9%	82.8%	31.9*
Loan Amount Increase After Closing/Settlement – Q37	49.3%	65.1%	15.8*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 7. Monthly Payments

The study included 9 questions on monthly payments with 5 of them being non-skippable. These questions included Questions 8, 9, 10, 15, 18, 38, 39, 40, and 41. The 5 non-skippable questions included Questions 8, 15, 18, 38, and 39 spread across Parts 2, 3, and 4.

Table 9.7. *Monthly Payments: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)* shows that, on average, respondents exposed to the current disclosures answered 46.1% of the 9 questions correctly, while respondents exposed to the proposed disclosures answered 70.9% of the 9 questions correctly (difference = 24.8 percentage points). The comparable results for the 5 non-skippable questions were similar, although the difference was smaller (49.7% for current disclosures, 71.4% for proposed disclosures, difference = 21.7 percentage points). Both differences were statistically significant.

Table 9.7 also shows that respondents exposed to the proposed disclosures answered 8 of 9 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 8 of 9 questions in favor of the proposed disclosures, and 0 of 9 questions in favor of the current disclosures.

For the non-skippable questions, the difference in the percentages of correct responses was statistically significant for 4 of 5 non-skippable questions. The difference was relatively large (20 percentage points or more) for 7 of 9 questions and for 4 of 5 non-skippable questions.

TABLE 9.7. Monthly Payments: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Monthly Payments Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 9 Questions	46.1%	70.9%	24.8*
Average for 5 Non-skippable Questions	49.7%	71.4%	21.7*
Change in Total Monthly Payment – Q9**	39.0%	77.9%	38.9*
Total Monthly Payment - Q8	49.5%	86.3%	36.8*
Highest Total Monthly Payment – Q10**	36.9%	73.0%	36.1*
Highest Monthly Principal & Interest Payment – Q38	14.5%	43.0%	28.5*
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8*
First Monthly Principal & Interest Payment Change – Q40**	46.3%	67.9%	21.6*
First Monthly Payment - Q18	43.7%	64.7%	21.0*
Principal & Interest Payment Change Frequency – Q41**	44.6%	62.3%	17.7*
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in the averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 8. Mortgage Insurance

The study included 2 questions on mortgage insurance. The questions included Questions 25 and 26, both from Part 3. Question 25 was non-skippable.

Table 9.8. Mortgage Insurance: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference) shows that, on

average, respondents exposed to the current disclosures answered 32.7% of the 2 questions correctly, while respondents exposed to the proposed disclosures answered 71.1% of the 2 questions correctly (difference = 38.4 percentage points). However, this large difference was due entirely to one of the two questions that was skippable (Q26). The difference was statistically significant.

Table 9.8 also shows that respondents exposed to the proposed disclosures answered both questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for both questions, and the difference was relatively large (20 percentage points or more) for one of the two questions.

TABLE 9.8. Mortgage Insurance: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Mortgage Insurance Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 2 Questions	32.7%	71.1%	38.4*
Mortgage Insurance – Q26**	2.3%	65.1%	62.8*
Mortgage Insurance – Q25	63.1%	77.0%	13.9*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in the averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Concept 9. Risk Factors

The study included 8 questions in risk-related loan characteristics, such as change in interest rates or change in loan amount after closing. These questions included Questions 10, 13, 15, 21, 22, 24, 37, and 39. All questions were non-skippable except Question 10.

Table 9.9. *Risk Factors: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)* shows that, on average, respondents exposed to the current disclosures answered 64.6% of the 8 questions correctly, while respondents exposed to the proposed disclosures answered 76.0% of the 8 questions correctly (difference = 11.6 percentage points). The comparable results for the 7 non-skippable questions were somewhat better for both disclosures (68.4% for current disclosures, 76.4% for proposed disclosures, difference = 8.0 percentage points). Both differences were statistically significant.

Table 9.9 also shows that respondents exposed to the proposed disclosures answered 6 of 8 questions more accurately than did respondents exposed to the current disclosures. The difference in the percentage of correct responses was statistically significant for 4 of the 8 questions, and the difference was relatively large (20 percentage points or more) for 2 of 8

questions. The difference in the percentage of correct responses was statistically significant for 3 of 7 non-skippable questions.

Table 9.9. Risk Factors: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)

Risk Factors Question Number	Current Disclosures (N=428)	Proposed Disclosures (N=430)	Percentage Point Difference
Average for 8 Questions	64.4%	76.0%	11.6*
Average for 7 Non-skippable Questions	68.4%	76.4%	8.0*
Highest Total Monthly Payment - Q10**	36.9%	73.0%	36.1*
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8*
Principal Paid Off in 5 Years – Q24	59.1%	78.6%	19.5*
Loan Amount Increase After Closing/Settlement – Q37	49.3%	65.1%	15.8*
Interest Rate Change – Q13	92.8%	93.3%	0.5
Refinance Cost – Q22	53.3%	54.9%	1.6
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1
Escrow Fund – Q21	83.4%	79.5%	-3.9

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in the averages, with * indicating significance at the five percent level. (3) An ** marks a skippable question.

Summary

The data in Tables 9.1 – 9.9 show that the proposed disclosures outperformed the current disclosures consistently for each of the nine loan concept areas (including risk factors) addressed by the study. On average, the advantage for the proposed disclosures ranged from 35.2 (for loan amount) to 4.7 percentage points difference (for interest rate).

Results Broken Down by Experience, Loan Type, and Loan Complexity

In this section, we examine whether the relatively superior performance associated with the proposed disclosures varied with the experience level of the respondent (experienced versus inexperienced respondent), loan complexity (easier versus more challenging loans), and loan type (fixed rate versus adjustable rate loans), or was largely independent of these factors.

Table 10. Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type provides a detailed breakdown of percentage of correct responses for each of the 39 questions in the study. The data were presented separately for experienced versus inexperienced respondents, easier versus more challenging loans, and fixed rate versus adjustable rate loans, and the questions are grouped by task.

Overall, Table 10 suggests that while there were some variations in results across respondent experience, loan complexity, and loan type for particular questions, the data were fairly similar especially for Tasks 2, 3, and 5. For example, when we examined the average data for the 8 questions in Task 2 (comparison of initial disclosures), the difference between accuracy levels for the proposed versus current disclosures were in a fairly narrow range of 15.1 to 33.0 percentage points when compared across respondent experience, loan complexity, and loan type levels.

A similar conclusion emerged for the average data for Task 3 (comprehension of initial disclosure) with a range of 8.4 to 12.7 percentage points, and Task 5 (comprehension of final disclosure) with a range of 19.5 to 33.2 percentage points. However, the variation was somewhat larger for Task 4 (comparison of initial and final disclosures) with a range of 4.7 to 23.4 percentage points, suggesting larger differences in accuracy of responses to these questions within subgroups. For example, there appeared to be considerable variation in accuracy of responses to Questions 28, 29, 30, 31, and 34 for easier versus more challenging loans.

TABLE 10. Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type

	Experienced Respondent			Inexperienced Respondent			Easier Loan			More Challenging Loan			Fixed Rate Loan			Adjustable Rate Loan		
	Curr (215)	Prop (209)	Diff	Curr (213)	Prop (221)	Diff	Curr (217)	Prop (215)	Diff	Curr (211)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff
Part 2: Task 2. Comparison of Initial Disclosures																		
Q3	35.3%	82.8%	47.5*	29.6%	80.1%	50.5*	35.0%	82.8%	47.8*	29.9%	80.0%	50.1*	29.0%	82.3%	53.3	36.0%	80.5%	44.5*
Q4	80.5%	87.6%	7.1*	82.2%	87.3%	5.1	81.1%	91.2%	10.1*	81.5%	83.7%	2.2	83.6%	82.8%	-0.8	79.0%	92.1%	13.1*
Q5	67.0%	72.2%	5.2	44.6%	53.8%	9.2	57.1%	64.7%	7.6	54.5%	60.9%	6.4	57.0%	63.3%	6.3	54.7%	62.3%	7.6
Q6	80.9%	95.7%	14.8*	79.8%	93.2%	13.4*	84.8%	95.3%	10.5*	75.8%	93.5%	17.7*	89.7%	98.1%	8.4*	71.0%	90.7%	19.7*
Q7	81.4%	89.5%	8.1*	85.0%	86.0%	1.0	83.4%	84.7%	1.3	82.9%	90.7%	7.8*	91.1%	93.5%	2.4	75.2%	81.9%	6.7
Q8	48.8%	88.5%	39.7*	50.2%	84.2%	34.0*	51.6%	87.0%	35.4*	47.4%	85.6%	38.2*	13.1%	77.2%	64.1*	86.0%	95.3%	9.3*
Q9**	39.1%	79.9%	40.8*	39.0%	76.0%	37.0*	37.8%	78.6%	40.8*	40.3%	77.2%	36.9*	3.7%	72.1%	68.4*	74.3%	83.7%	9.4*
Q10**	36.3%	74.2%	37.9*	37.6%	71.9%	34.3*	44.2%	75.8%	31.6*	29.4%	70.2%	40.8*	7.5%	69.8%	62.3*	66.4%	76.3%	9.9*
Avg (8)	58.7%	83.8%	25.1*	56.0%	79.1%	23.1*	59.4%	82.5%	23.1*	55.2%	80.2%	25.0*	46.9%	79.9%	33.0*	67.8%	82.9%	15.1*
Avg (6)	65.7%	86.0%	20.3*	61.9%	80.8%	18.9*	65.5%	84.3%	18.8*	62.0%	82.4%	20.4*	60.6%	82.9%	22.3*	67.0%	83.8%	16.8*
Part 3: Task 3. Comprehension of Initial Disclosures																		
Q11	61.4%	99.5%	38.1*	59.6%*	98.6%	39.0*	57.6%	98.6%	41.0*	63.5%	99.5%	36.0*	56.5%	99.1%	42.6*	64.5%	99.1%	34.6*
Q12	93.5%	97.6%	4.1*	90.6%	95.9%	5.3*	90.3%	96.3%	6.0*	93.8%	97.2%	3.4	86.4%	95.8%	9.4*	97.7%	97.7%	0
Q13	95.3%	94.3%	-1.0	90.1%	92.3%	2.2	96.8%	94.0%	-2.8	88.6%	92.6%	4.0	86.0%	87.0%	1.0	99.5%	99.5%	0
Q14**	84.7%	92.8%	8.1*	76.5%	87.3%	10.8*	89.9%	90.7%	0.8	71.1%	89.3%	18.2*	86.0%	87.0%	1.0	75.2%	93.0%	17.8*
Q15	91.2%	89.5%	-1.7	89.7%	89.1%	-0.6	89.4%	85.1%	-4.3	91.5%	93.5%	2.0	84.6%	80.0%	-4.6	96.3%	98.6%	2.3
Q16	89.3%	50.7%	-38.6*	83.1%	42.1%	-41.0*	89.9%	45.6%	-44.3*	82.5%	47.0%	-35.5*	84.6%	46.0%	-38.6*	87.9%	46.5%	-41.4*

TABLE 10. continued

	Experienced Respondent			Inexperienced Respondent			Easier Loan			More Challenging Loan			Fixed Rate Loan			Adjustable Rate Loan		
	Curr (215)	Prop (209)	Diff	Curr (213)	Prop (221)	Diff	Curr (217)	Prop (215)	Diff	Curr (211)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff
Part 3: Task 3. Comprehension of Initial Disclosures continued																		
Q17	91.6%	92.6%	1.0	89.0%	80.8%	-8.2*	88.5%	87.0%	-1.5	92.2%	86.0%	-6.2	90.9%	88.6%	-2.3	89.7%	84.4%	-5.3
Q18	45.1%	67.5%	22.4*	42.3%	62.0%	19.7*	44.7%	57.7%	13.0*	42.7%	71.6%	28.9*	38.8%	78.6%	39.8*	48.6%	50.7%	2.1
Q19	63.7%	92.8%	29.1*	61.8%	93.0%	31.2*	62.7%	93.3%	30.6*	62.9%	92.5%	29.6*	62.9%	93.9%	31.0*	62.6%	91.9%	29.3*
Q20	95.8%	97.1%	1.3	90.6%	92.8%	2.2	93.1%	94.4%	1.3	93.4%	95.3%	1.9	95.8%	94.9%	-0.9	90.7%	94.9%	4.2
Q21	92.1%	91.9%	-0.2	74.6%	67.9%	-6.7	86.2%	76.7%	-9.5*	80.6%	82.3%	1.7	81.8%	81.4%	-0.4	85.0%	77.7%	-7.3
Q22	70.7%	66.0%	-4.7	35.7%	44.3%	8.6	54.4%	54.4%	0	52.1%	55.3%	3.2	59.8%	67.9%	8.1	46.7%	41.9%	-4.8
Q23	71.6%	79.9%	8.3*	59.6%	79.2%	19.6*	66.4%	81.4%	15.0*	64.9%	77.7%	12.8*	66.4%	80.9%	14.5*	65.0%	78.1%	13.1*
Q24	67.4%	80.4%	13.0*	50.7%	76.9%	26.2*	58.1%	80.9%	22.8*	60.2%	76.3%	16.1*	59.3%	80.9%	21.6*	58.9%	76.3%	17.4*
Q25	65.1%	78.9%	13.8*	61.0%	75.1%	14.1*	68.2%	74.4%	6.2	57.8%	79.5%	21.7*	68.2%	72.1%	3.9	57.9%	81.9%	24.0*
Q26**	3.7%	71.3%	67.6*	0.9%	59.3%	58.4*	2.8%	63.3%	60.5*	1.9%	67.0%	65.1*	2.3%	61.9%	59.6*	2.3%	68.4%	66.1*
Avg (16)	73.9%	83.9%	10.0*	66.0%	77.3%	11.3*	71.2%	79.6%	8.4*	68.7%	81.4%	12.7*	69.4%	81.0%	11.6*	70.5%	80.0%	9.5*
Avg (14)	78.1%	84.2%	6.1*	69.9%	77.9%	8.0*	74.7%	80.0%	5.3*	73.3%	81.9%	8.6*	73.0%	81.9%	8.9*	75.1%	79.9%	4.8*
Part 4: Task 4. Comparison of Initial and Final Disclosures																		
Q28	55.3%	85.6%	30.3*	46.5%	80.1%	33.6*	35.5%	87.4%	51.9*	66.8%	78.1%	11.3*	49.5%	81.9%	32.4*	52.3%	83.7%	31.4*
Q29**	34.4%	67.0%	32.6*	24.4%	58.4%	34.0*	35.5%	87.4%	51.9*	23.2%	37.7%	14.5*	29.9%	60.9%	31.0*	29.0%	64.2%	35.2*
Q30	86.0%	90.0%	4.0	77.5%	84.6%	7.1	79.3%	97.7%	18.4*	84.4%	76.7%	-7.7*	84.1%	82.8%	-1.3	79.4%	91.6%	12.2*
Q31**	66.5%	65.6%	-0.9	58.7%	64.7%	6.0	59.9%	73.5%	13.6*	65.4%	56.7%	-8.7	64.5%	58.6%	-5.9	60.7%	71.6%	10.9*
Q32	83.7%	92.8%	9.1*	71.4%	95.0%	23.6*	79.7%	94.4%	14.7*	75.4%	93.5%	18.1*	78.0%	94.9%	16.9*	77.1%	93.0%	15.9*

TABLE 10. *continued*

	Experienced Respondent			Inexperienced Respondent			Easier Loan			More Challenging Loan			Fixed Rate Loan			Adjustable Rate Loan		
	Curr (215)	Prop (209)	Diff	Curr (213)	Prop (221)	Diff	Curr (217)	Prop (215)	Diff	Curr (211)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff	Curr (214)	Prop (215)	Diff
Part 4: Task 4. Comparison of Initial and Final Disclosures continued																		
Q33**	52.6%	50.7%	-1.9	41.3%	45.2%	3.9	53.0%	52.1%	-0.9	40.8%	43.7%	2.9	49.5%	45.6%	-3.9	44.4%	50.2%	5.8
Q34	45.1%	51.2%	6.1	26.8%	52.9%	26.1*	36.9%	66.5%	29.6*	35.1%	37.7%	2.6	40.7%	49.8%	9.1	31.3%	54.4%	23.1*
Q35**	56.7%	60.8%	4.1	51.2%	59.3%	8.1	65.0%	73.0%	8.0	42.7%	47.0%	5.3	30.4%	51.2%	20.8*	77.6%	68.8%	-8.8*
Avg (8)	60.1%	70.5%	10.4*	49.7%	67.5%	17.8*	55.6%	79.0%	23.4*	54.2%	58.9%	4.7*	53.3%	65.7%	12.4*	56.5%	72.2%	15.7*
Avg (4)	67.6%	79.9%	12.3*	55.5%	78.2%	22.7*	57.8%	86.5%	28.7*	65.4%	71.5%	6.1*	63.1%	77.3%	14.2*	60.1%	80.7%	20.6*
Part 4: Task 5. Comprehension of Final Disclosures																		
Q27	47.9%	86.1%	38.2*	39.9%	87.3%	47.4*	48.4%	93.0%	44.6*	39.3%	80.5%	41.2*	48.1%	83.7%	35.6*	39.7%	89.8%	50.1*
Q36	49.8%	80.4%	30.4*	41.8%	80.1%	38.3*	48.4%	89.3%	40.9*	43.1%	71.2%	28.1*	45.8%	75.8%	30.0*	45.8%	84.7%	38.9*
Q37	49.8%	70.8%	21.0*	48.8%	59.7%	10.9*	53.5%	71.2%	17.7*	45.0%	59.1%	14.1*	54.2%	66.5%	12.3*	44.4%	63.7%	19.3*
Q38	13.0%	43.5%	30.5*	16.0%	42.5%	26.5*	27.2%	48.8%	21.6*	1.4%	37.2%	35.8*	8.4%	35.8%	27.4*	20.6%	50.2%	29.6*
Q39	55.8%	79.9%	24.1*	44.6%	68.3%	23.7*	53.5%	74.4%	20.9*	46.9%	73.5%	26.6*	50.5%	74.9%	24.4*	50.0%	73.0%	23.0*
Q40**	52.1%	72.7%	20.6*	40.4%	63.3%	22.9*	63.1%	79.1%	16.0*	28.9%	56.7%	27.8*	69.2%	70.2%	1.0	23.4%	65.6%	42.2*
Q41**	50.7%	68.4%	17.7*	38.5%	56.6%	18.1*	61.8%	78.1%	16.3*	27.0%	46.5%	19.5*	58.4%	64.2%	5.8	30.8%	60.5%	29.7*
Avg (7)	45.6%	71.7%	26.1*	38.6%	65.4%	26.8*	50.8%	76.3%	25.5*	33.1%	60.7%	27.6*	47.8%	67.3%	19.5*	36.4%	69.6%	33.2*
Avg (5)	43.3%	72.2%	28.9*	38.2%	67.6%	29.4*	46.2%	75.4%	29.2*	35.2%	64.3%	29.1*	41.4%	67.4%	26.0*	40.1%	72.3%	32.2*

Notes: (1) "Diff" column refers to difference between percentages. (2) Figures in parentheses in the title are the number of respondents exposed to the current/proposed disclosures. (3) A Student's t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in the averages, with * indicating significance at the five percent level. (4) "Curr" refers to current disclosures and "Prop" refers to proposed disclosures. (5) An **marks a skippable question.

Table 11. Summary Data Comparisons Between Current and Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type provides a different, more aggregate view on the same issue. This table compares the proportion of questions (out of 39, or 29 non-skippable questions) for which the proposed disclosures had a higher accuracy score than the current disclosures for different levels of respondent experience, loan complexity, and loan type. The proportion was computed three different ways – (1) based simply on higher accuracy scores, (2) based on higher scores that are significantly different at $p < .05$, and (3) based on scores that are higher by 20 percentage points or more.

The results on all three measures were very similar across the subgroups. For example, the data showed that the proportion of questions for which the percentage of correct responses were higher for the proposed disclosures ranged from 30 of 39 or 76.9% (for fixed rate loans) to 35 of 39 or 89.7% for inexperienced respondents, as well as for more challenging loans. Similarly, the proportion of questions for which the percentage of correct responses for the 29 non-skippable questions were statistically significantly higher for the proposed disclosures ranged from 17 of 29 or 58.6% (for more challenging loans) to 19 of 29 or 65.5% (for easier loans and for experienced respondents). In general, these data suggested that the magnitude of accuracy performance advantage for the proposed disclosures over the current disclosures was fairly consistent across levels of respondent experience, loan complexity, and loan type.

TABLE 11. Summary Data Comparisons Between Current and Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type

Proportion of Questions With Higher Accuracy % For Proposed Disclosures	Overall	Experienced Borrower	Inexperienced Borrower	Easier Loan	More Challenging Loan	Fixed Rate Loan	Adjustable Rate Loan
39 Questions	35/39	32/39	35/39	32/39	35/39	30/39	32/39
29 Questions	25/29	24/29	25/29	23/29	26/29	22/29	23/29
Proportion of Questions With Significantly Higher Accuracy % For Proposed Disclosures (at $p < .05$)	Overall	Experienced Borrower	Inexperienced Borrower	Easier Loan	More Challenging Loan	Fixed Rate Loan	Adjustable Rate Loan
39 questions	28/39	26/39	25/39	26/39	24/39	21/39	26/39
29 questions	21/29	19/29	18/29	19/29	17/29	16/29	18/29
Proportion of Questions With Accuracy % Higher by 20%+ For Proposed Disclosures	Overall	Experienced Borrower	Inexperienced Borrower	Easier Loan	More Challenging Loan	Fixed Rate Loan	Adjustable Rate Loan
39 questions	15/39	16/39	17/39	15/39	14/39	16/39	14/39
29 questions	10/29	11/29	12/29	11/29	10/29	11/29	10/29

Responses to Part 1, Task 1. Open-Ended Question

Plan of Analysis for Part 1

We also examined responses to the open-ended question (Question 2) in Part 1, Task 1 that asked respondents to provide reasons for their choice of loan in Part 1 of the study. We focused on the total number of reasons and comments provided by respondents as a function of the initial disclosure (current versus proposed) they examined. Although not the central focus of our analyses, these data can shed light on the degree to which the current and proposed disclosures differentially influenced the ability of respondents to develop and articulate reasons justifying or explaining their selection.

In Part 1 of the study, respondents first made a selection between two loans based on the initial disclosure about each loan (Question 1) and then provided reasons for their selection (Question 2). Out of the 858 study respondents, 852 provided at least one reason or comment, while 4 respondents said “don’t know” and 2 respondents did not say anything. Respondents provided a variety of comments and arguments including comments about loan terms, costs, and risk factors, comments about the disclosures themselves, and comments related to personal experiences.

In this section, we examine the differences, if any, in the total number of reasons and comments provided by respondents as a function of the current or proposed initial disclosure they examined. This measure was intended to suggest the degree to which the current and proposed disclosures differentially influenced the ability of respondents to develop and state reasons justifying or explaining their selection.

Results

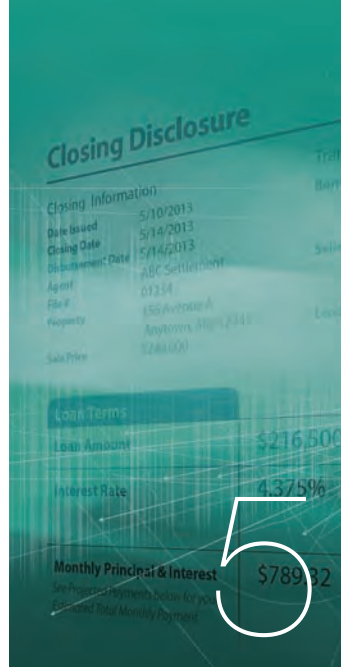
Table 12. Part 1, Task 1. Mean Number of Mentions in Response to Question 2 Asking About Reasons for Choice compares the average number of comments by respondents exposed to the current disclosures versus the proposed disclosures. Overall, respondents using the current disclosures made an average of 2.68 comments. The corresponding average for respondents using the proposed disclosures was 3.09. The difference (0.41) was statistically significant. Furthermore, the difference persisted when we looked at it separately within subgroups. For example, although experienced respondents generated more comments, on average, than did inexperienced respondents (3.02 versus 2.68, difference significant at $p < .05$), the proposed disclosures significantly outperformed the current disclosures by approximately the same margin within each of these two groups.

A similar pattern was evident when we looked at the results for easier versus more challenging loans and for fixed rate versus adjustable rate loans. In each instance, the difference in performance for respondents exposed to the current versus the proposed disclosures was in favor of the proposed disclosures and was statistically significant. These results suggest that respondents exposed to the proposed disclosures were able to articulate and explain more reasoning behind their choice, and this was the case regardless of their level of experience, the difficulty of the loan, and whether the loan was a fixed rate or adjustable rate loan.

TABLE 12. Part 1, Task 1. Mean Number of Mentions in Response to Question 2 Asking About Reasons for Choice

Category	Current Disclosures	Proposed Disclosures	Difference
All Respondents (428/430)	2.68	3.09	0.41*
Experienced Borrowers (215/209)	2.80	3.25	0.45*
Inexperienced Borrowers (213/221)	2.57	2.95	0.38*
Easier Loan (217/215)	2.71	3.23	0.52*
More Challenging Loan (211/215)	2.65	2.96	0.31*
Fixed Rate Loan (214/215)	2.63	2.98	0.35*
Adjustable Rate Loan (214/215)	2.74	3.20	0.46*

Notes: (1) Figures in parentheses are the number of respondents exposed to the current/proposed disclosures. (2) A Student's t-test of significance (two-tailed) was used to test for differences in average number of mentions, with * indicating significance at the five percent level.



Conclusions

The results of the study lead to several conclusions, all of them in favor of the proposed disclosures:

1. The proposed disclosures performed better than the current disclosures when compared on the accuracy of responses to 39 key questions and 29 non-skippable questions on aggregate measures;
2. The performance advantage for the proposed disclosures was consistent across Tasks 2-5 performed by respondents;
3. The performance advantage for the proposed disclosures was consistent across all content areas;
4. The performance advantage for the proposed disclosures was similar across the factors of the study: for experienced as well as inexperienced respondents, easier as well as more challenging loans, and fixed as well as adjustable rate loans; and
5. Respondents who received the proposed disclosures generated more reasons and comments when prompted to explain their loan choice, suggesting that the proposed disclosures might enable respondents to better articulate and explain the rationale for their decisions.

Conclusion 1. The Proposed Disclosures Performed Better on Aggregate Measures

We created two aggregate indices designed to capture the overall accuracy of responses to the 39 key questions. One index was based on scores assigned to all 39 questions, while a second index was based only on the 29 “non-skippable” questions that all respondents were required to answer. Both aggregate indices showed a significant performance advantage of about 16 percentage points for the proposed disclosures. See *Table 7: Percentage of Questions Answered Correctly with Current Versus Proposed Disclosures: Aggregate Results*.

We also examined the number of questions (out of all 39 questions as well as 29 non-skippable questions) that showed a performance advantage for the proposed disclosures. See *Table 11: Summary Data Comparisons Between Current and Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type*. The results showed that the proposed disclosures outperformed the current disclosures on 35 of 39 questions and 25 of 29 non-skippable questions (89.7% and 86.2%, respectively). Furthermore, the performance advantage for the proposed disclosures was statistically significant for 28 of 39 questions and 21 of 29 non-skippable questions (71.8% and 72.4%, respectively). In comparison, the current disclosures outperformed the proposed disclosures for 4 of 39 questions and 4 of 29 non-skippable questions (10.3% and 13.8%, respectively), and only one of these differences in favor of the current disclosures was statistically significant.

Conclusion 2. The Proposed Disclosures, On Average, Performed Better for Tasks 2 through 5

We compared the performance of the current and proposed disclosures separately for questions within each of the four distinct tasks – comparing two initial loan disclosures, reviewing a single initial loan disclosure, comparing an initial disclosure with a final disclosure, and comprehending a final disclosure. The results showed that the proposed disclosures outperformed the current disclosures consistently for each of these four tasks. See *Tables 8.1-8.4 and Appendix H. Table 8: Percentage of Respondents Answering Correctly with Current and Proposed Disclosures—Grouped by Task*. On average, the advantage for the proposed disclosures ranged from 26.4 percentage points (for comprehension of the final disclosure) to 10.5 percentage points (for review of initial disclosures).

Conclusion 3. The Proposed Disclosures, On Average, Performed Better for All Concept Areas

We also compared the performance of the current and proposed disclosures separately for questions focused on nine different loan concept areas. See *Tables 9.1 through 9.9 and Appendix I. Table 9: Percentage of Respondents Answering Correctly with Current and Proposed Disclosures—Grouped by Concept*. These areas were amortization, loan amount, interest rate, monthly payments, closing costs, escrow account, annual percentage rate (APR), mortgage insurance, and risk factors. The results showed that the proposed disclosures outperformed the current

disclosures consistently for each of these nine loan concept areas addressed by the study. On average, the advantage for the proposed disclosures ranged from 35.2 percentage points (for loan amount) to 4.7 percentage points (for interest rate).

Conclusion 4. The Proposed Disclosures Performed Better Regardless of Respondent Experience, Loan Type, or Loan Complexity

We examined whether the relatively superior performance associated with the proposed disclosures varied with the experience level of the respondents (experienced versus inexperienced respondents), loan complexity (easier versus more challenging loans), and/or loan type (fixed rate versus adjustable rate loans), or was largely independent of these factors.

We conducted several different analyses to address this question. In general, our results across the analyses were fairly consistent in indicating that the performance advantage for the proposed disclosures did not vary by level of respondent experience, loan type, or loan complexity. For example, our aggregate analysis based on responses to 39 questions (*Table 7: Percentage of Questions Answered Correctly with Current Versus Proposed Disclosures: Aggregate Results*) showed a performance advantage for the proposed disclosures that was within a fairly narrow range (16 to 17.8 percentage points) for experienced as well as inexperienced respondents, easier as well as more challenging loans, and fixed rate as well as adjustable rate loans. Similarly, when we looked at the proportion of questions for which the proposed disclosures had a performance advantage across different types of respondents and loans, we found that the range across these groups was fairly narrow – between 30 and 35 (out of 39) questions for which the proposed disclosures performed better, and between 21 and 28 questions for which they performed significantly better. See *Table 11: Summary Data Comparisons Between Current and Proposed Disclosures: Broken Down by Respondent Experience, Loan Complexity, and Loan Type*. Finally, when we looked at the accuracy of responses to individual questions, we found (with some exceptions) reasonable consistency of responses to most questions – especially for Tasks 2, 3, and 5. See *Table 10: Percentage of Respondents Answering Questions Correctly With Current Versus Proposed Disclosures: Broken Down by Experience, Loan Complexity, and Loan Type*. Overall, these results suggested that the superior performance associated with the proposed disclosures was fairly consistent across different levels of respondent experience, loan complexity, and loan type.

Conclusion 5. Respondents Using the Proposed Disclosure Listed More Comments While Explaining Their Choice

We examined the mean number of comments made by respondents using the current disclosures versus the proposed disclosures when they explained their choice between two loans. Overall, respondents exposed to the proposed disclosures made statistically significantly more comments than did respondents exposed to the current disclosures (average of 3.09 versus 2.68 comments). Furthermore, the difference was about the same when we looked at it separately within subgroups. These results suggested that respondents exposed to the proposed disclosures were more likely to be better able to state and explain the reasoning behind their choice.

Limitations

Two features of the study that limit the generalizability of the results should be noted. First, the sampling was done in each of the 20 DMAs to be as representative of each DMA as possible, with the only real limitation being rural respondents. Rural populations may be under-represented in the sample due to the on-site, in-person data collection method, as these sites may have been too far for respondents to want to drive to to participate at the incentive level offered. Second, the study was a controlled experiment conducted in a supervised, distraction-free environment. Although respondents generally had enough time to complete the various tasks at their own pace, time limits were imposed on each part of the study to keep total session length to approximately 60 minutes. The extent to which these results will replicate in noisy, distracting, real-world settings with no externally imposed time limits is unclear. This is an interesting conjecture worthy of assessment in future research.

The Importance of Consumer Testing

The Mortgage Disclosure Project shows the advantages and benefits of two types of consumer testing: Qualitative Testing and Quantitative Testing.

Qualitative Testing

The Qualitative Study for the Mortgage Disclosure Project ensured that consumers could comprehend the basic facts about a loan, could compare two initial disclosures and state their reasons for making that choice. Further, it allowed the development of the companion Closing Disclosure to enable better comparison between the initial and final disclosures. Including industry representatives allowed us to ensure that industry personnel could understand the disclosures and explain them to consumers. The CFPB understands that consumers do not obtain or close loans in isolation and often discuss the disclosures with loan officers and settlement agents. As a supplement to the Qualitative Testing, the public posting of the design iterations further allowed the CFPB to anticipate concerns these stakeholders might have.

Quantitative Testing

The Quantitative Study for the Mortgage Disclosure Project looked at both the current and the proposed disclosures. As the FTC study states, in advocating for studies with a control group:

The tests may show, for example, that a proposed disclosure is not understood by a significant proportion of consumers but a control group might make clear that this is still a substantial improvement over the current disclosures. Conversely, the tests may show that nearly all consumers understand a proposed disclosure, but a control group might show that the same is true for the current disclosures, indication that the revisions provide little benefit.²⁷

²⁷ Lacko and Pappalardo, 2007, p.128.

The Quantitative Study shows that the proposed disclosures indeed provide benefits to consumers. The proposed disclosures outperformed the current disclosures from nearly every perspective. The differences between the current and proposed disclosures were statistically significant whether considering experienced versus inexperienced respondents, easier versus more challenging loans, or fixed versus adjustable rate loans. In a question-by-question breakdown by task, the proposed disclosures performed better for 35 of the 39 questions, and for 28 of those 35 questions the differences were statistically significant. In addition, 19 questions for the proposed disclosures had a percentage point difference of 20 percentage points or more in contrast to only 1 question for the current disclosures. In fact, for only 4 questions did the current disclosures perform better and only one of those was statistically significant—Question 16.²⁸

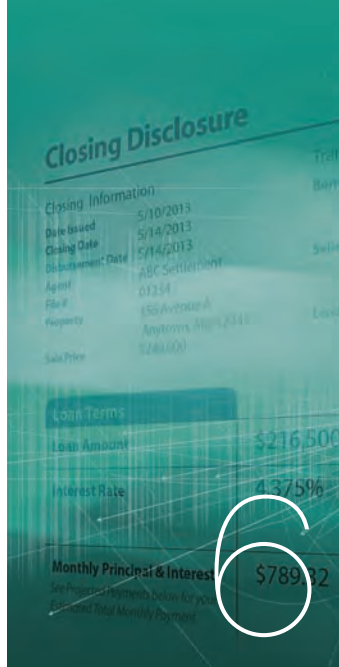
In this respect the Quantitative Study provided an additional advantage to the CFPB, as it enabled the CFPB to examine the results of Question 16 and further improve the integrated disclosures before it issued the final rule.

The Qualitative Study and the Quantitative Study have accomplished what the FTC study also advocated:

The development of effective consumer disclosures requires careful analysis of what information consumers really need, how consumers will interpret and use the information, how to convey the information in a way that can be easily understood and used by consumers, and, combining all of this, careful analysis of the benefits and costs of the disclosures. Consumer testing is a critical part of this analysis.²⁹

28 The results for Questions 16 prompted some modification in the proposed disclosures. These modifications are detailed in Chapter 6 of this report and in Kleimann Communication Group, November 20, 2013, *Post-Proposal Consumer Testing*.

29 Lacko and Pappalardo, 2007, p. 128



The Final Disclosures

The integrated Loan Estimate and the integrated Closing Disclosure were developed under one phase of the Mortgage Disclosure Project.³⁰ As part of that project, the team tested the disclosures in 10 rounds of qualitative testing prior to issuing the Proposed Rule on July 9, 2012 (5 rounds for the Loan Estimate, 2 rounds for the Closing Disclosure, and 3 rounds for the interaction of the two disclosures). An analysis of the comments received during the public comment period resulted in the CFPB team making some additional changes to the proposed disclosures as indicated in Chapter 1.

The Quantitative Study, Phase 2 of the Mortgage Disclosure Project, revealed one question in which the current disclosures significantly outperformed the proposed disclosures. Based on the language used on the disclosure, Question 16 asked respondents for the current initial disclosure: “How much are your estimated settlement charges?” and asked respondents for the proposed initial disclosure: “How much are your estimated closing costs?” In the design of the GFE, *Summary of your settlement charges* is a prominent heading on page 1, but the *Cash to Close* amount is not included on the GFE. In contrast, the design of the proposed Loan Estimate deliberately places *Estimated Cash to Close* in a prominent heading. *Closing Costs* are present, but are de-emphasized by being placed in a smaller font to the right of the *Estimated Cash to Close* amount. The concept of closing costs/settlement charges is important, and the CFPB team wanted to include a question on the concept. However, because the cash to close amount was not on the GFE, the CFPB team chose to ask a question about closing costs/settlement charges, rather than about the cash needed to close.

³⁰ See Kleimann Communication Group, July 2012.

The CFPB team anticipated that respondents who worked with the GFE might perform better on this question, but did not anticipate the difference to be better at a statistically significant level. For respondents using the GFE, 86.2% answered this question correctly, but only 46.3% of respondents using the Loan Estimate answered this question correctly—a 39.9 percentage point difference. See *Table 8.2: Part 3, Task 3. Comprehension of Initial Disclosures: Percentage of Respondents Answering Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)* and *Table 9.3: Closing Costs/Settlement Charges: Percentage of Respondents Answering Questions Correctly with Current Versus Proposed Disclosures (Ordered by Percentage Point Difference)*.

Given that Question 16 was the only question in which the current disclosure performed statistically significantly better, the CFPB team did additional analysis by looking at the specific answers to this question. Across those viewing the Loan Estimate, 51.6% of the respondents provided the estimated cash to close amount and 46.3% respondents provided the closing costs amount. Only 2.1% of respondents provided an answer other than these two. Based on this analysis, we hypothesized that many respondents may have found the right location on the Loan Estimate, but assumed that the question was asking for the amount that the disclosure design emphasized.

To deal with this issue, the CFPB team decided to modify the design of the proposed initial disclosure and the proposed final disclosure in order to keep the two designs consistent. The *Cash to Close* section was renamed *Costs at Closing* and split into two rows—one for *Closing Costs* and one for *Cash to Close*. This change underwent further qualitative consumer testing in July 2013 in Baltimore, MD and Richmond, VA with 12 additional consumer participants to confirm that consumers could understand the changes.³¹ The testing indicated that the revised design was working as intended. The final disclosures—both the Loan Estimate and the Closing Disclosure—reflect this change as well as the modifications discussed in Chapter 1 and are presented on the following pages with annotations.

³¹ See Kleimann Communication Group, November 20, 2013, *Post-Proposal Consumer Testing*.

Loan Estimate Details

The design of the final Loan Estimate allows sufficient flexibility for the disclosure of fixed rate loans as well as adjustable rate and interest only loans on a standard form. It is also able to show loans with certain other features, such as negative amortization, a balloon payment, or a prepayment penalty. The design uses a simple structure for the three-page disclosure that places a one-page summary of the *Loan Terms*, *Projected Payments*, and *Costs at Closing* in front of the detailed information on pages 2 and 3:

- **Page 1** provides a summary of the key *Loan Terms*, *Projected Payments*, and *Costs at Closing*. The page contains separate sections that show the basic *Loan Terms*, including the *Monthly Principal & Interest* payment and *Loan Costs*. Two sections provide consumers with affordability information. For example, it provides a schedule of *Projected Payments*. Including the *Estimated Taxes, Insurance & Assessments* on the property. It also shows the *Costs at Closing*, including *Closing Costs* and *Cash to Close*. If any of the basic *Loan Terms* can change after closing, a simple, yet easily visible, “yes” or “no” in bold font and capitalized letters provides that information. A series of bullets in that row provide details about any possible changes, including, for example, specific numbers for how high the change can be and a year for when the change can occur.
- **Page 2** itemizes the costs associated with the loan and with the real estate transaction. It also provides a *Calculating Cash to Close* table to summarize the transaction costs. It also provides *Adjustable Rate Table* and *Adjustable Payment Table* when needed.
- **Page 3** provides three figures that consumers can use to compare loan offers: *In 5 Years*, the *Annual Percentage Rate (APR)*, and the *Total Interest Percentage (TIP)*. It also lists disclosures mandated by statute, including new disclosures required by the Dodd-Frank Act. These disclosures can include *Appraisal*, *Assumption*, *Homeowner’s Insurance*, *Late Payments*, *Loan Acceptance*, *Liability after Foreclosure*, *Refinancing*, and *Servicing*. Page 3 has space for an optional signature line so that the lender can document receipt of the disclosure.

The Loan Estimate includes two disclosures required under statutory provisions other than TILA and sections 4 and 5 of RESPA, which are currently typically provided as separate pages, as well as certain new disclosures under the Dodd-Frank Act. For example, the Loan Estimate includes an *Appraisal* disclosure currently required under the Equal Credit Opportunity Act and a *Servicing* disclosure currently required under section 6 of RESPA. The Loan Estimate incorporates the three pages of the current GFE, the two pages of the typical TILA disclosure, as well as the one-page *Appraisal* notice, and the one-page *Servicing* disclosure. Accordingly, the Loan Estimate incorporates at least seven pages of current disclosures into three pages of an integrated disclosure.

Page 1 of Loan Estimate

1 Loan Details: Shows Transaction information and includes a reminder to save the Loan Estimate to compare with the Closing Disclosure.

2 Loan Terms: Shows the basic terms of the loan, whether they may increase or change, and the timing and highest change possible.

3 Projected Payments: Shows affordability information, including how and when *Monthly Principal & Interest* payments can change over time, an estimate of Estimated Taxes, Insurance & Assessments for the property, and the *Estimated Total Monthly Payment*, including if taxes and insurance are escrowed or excluded from the loan payment.

4 Costs at Closing: This section shows another aspect of affordability in order to purchase the house.

5 Estimated Closing Costs: Shows the total of *Loan Costs* and *Other Costs* from page 2—and allows shopping on the basis of the cost of obtaining the mortgage loan.

6 Estimated Cash to Close: Shows the additional cost to close the loan and the real estate transaction.

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013

APPLICANTS Michael Jones and Mary Stone

PROPERTY 456 Somewhere Avenue
Anytown, ST 12345

SALE PRICE \$240,000

LOAN TERM 30 years

PURPOSE Purchase

PRODUCT 5 Year Interest Only, 5/3 Adjustable Rate

LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____

LOAN ID # 123456789

RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$211,000	NO	
Interest Rate	4%	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as 12% in year 15 See AIR Table on page 2 for details
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$703.33	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as \$2,068 in year 15 Includes only interest and no principal until year 6 See AP Table on page 2 for details
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$812	\$1,137–\$1,468	\$1,137–\$1,713	\$1,028–\$2,068

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$533 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	In escrow? NO NO
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Costs at Closing	
Estimated Closing Costs	\$8,791 5 includes \$5,851 in Loan Costs + \$2,940 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$27,791 6 includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

PAGE 2 OF 3 • LOAN ID # 123456789

- 5 **Adjustable Interest Rate (AIR) Table:** Lists the details for an adjustable interest rate.

Page 3 of Loan Estimate

1 Lender Details: Provides basic contact and identification information for the *Lender* and *Mortgage Broker*, if needed.

2 Comparisons: Provides three different ways a consumer can compare one loan to another—the total costs paid and principal paid in 5 years (*In 5 Years*), the *Annual Percentage Rate (APR)*, and the *Total Interest Percentage (TIP)* or the total interest paid over the life of the loan as a percentage of the original *Loan Amount*.

3 Other Considerations: Includes several current and new disclosure statements required by the Dodd-Frank Act.

4 Confirm Receipt (optional): Allows for consumer signatures to document receipt of the disclosure.

Additional Information About This Loan

LENDER Ficus Bank
NMLS/_ LICENSE ID 12345
LOAN OFFICER Joe Smith
NMLS/_ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/_ LICENSE ID
LOAN OFFICER
NMLS/_ LICENSE ID
EMAIL
PHONE

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	\$54,944 \$0	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	4.617%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	81.18%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal

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.

Assumption

If you sell or transfer this property to another person, we
☐ 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.

Homeowner's Insurance

This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment

If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

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.

Servicing

We intend
☐ to service your loan. If so, you will make your payments to us.
☒ to transfer servicing of your loan.

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

LOAN ESTIMATE

PAGE 3 OF 3 • LOAN ID #123456789

Closing Disclosure Details

To enable comparison with the Loan Estimate, the Closing Disclosure uses the same design principles, basic structure, and format as the Loan Estimate. The matching of these design elements was particularly important because the Closing Disclosure must provide significantly more information – often in significantly greater detail – than the Loan Estimate, such as an itemized summary of the borrower’s and seller’s transaction. One goal of the matching was to help consumers feel less overwhelmed as they encountered a longer, more detailed disclosure because they would recognize the opening page and the overall structure and format. In short, they could build on an existing cognitive map based on the Loan Estimate.

The basic structure of the Closing Disclosure is as follows:

- **Page 1** of the Closing Disclosure essentially mirrors page 1 of the Loan Estimate for ease of comparison. Like page 1 of the Loan Estimate, it gives a basic summary of the *Loan Terms* and affordability information (*Projected Payments* and *Costs to Close*).
- **Page 2** of the Closing Disclosure, like page 2 of the Loan Estimate, provides information about *Closing Costs*, but in significantly more detail because it records more detail regarding the loan and the real estate transaction.
- In contrast to the Loan Estimate, **page 3** of the Closing Disclosure provides a *Calculating Cash to Close* table and detailed *Summaries of Transactions* for borrowers and sellers. The table is an expanded version of the *Calculating Cash to Close* table from the Loan Estimate. The table helps the borrower place the previous page of *Costs at Closing* into the larger context of the other elements that are included when determining the *Cash to Close*, such as the *Down Payment*. It also documents changes in the *Cash to Close* between the Loan Estimate and the Closing Disclosure and briefly explains why the change occurred or where the detail of the change is found on the disclosure. It also notes when a violation of the regulatory limitations on increases from the estimated charges has occurred. In combination with page 2, the *Summaries of Transactions* document the loan and real estate transaction fees for both the borrower and seller. They include items not present on the Loan Estimate, such as prorated property costs paid at closing or whether the seller’s loans are paid off.
- **Pages 4 and 5** are similar to page 3 of the Loan Estimate. Like that page, they provide statements required by statute and additional useful information. The section titled *Loan Disclosures* on page 4 provides loan-specific disclosures for *Assumption*, *Demand Feature*, *Late Payment*, *Negative Amortization*, *Partial Payment*, *Security Interest*, and *Escrow Account*. It also includes the *Adjustable Payment (AP) Table* and the *Adjustable Interest Rate (AIR) Table*, if needed. The section titled *Loan Calculations* on page 5 provides a chart of loan-specific calculations, including *Total of Payments*, *Finance Charge*, *Amount Financed*, *Annual Percentage Rate (APR)*, and *Total Interest Percentage (TIP)*. The page also provides more general disclosures in a section titled *Other Disclosures*, including disclosures for *Appraisal*, *Contract Details*, *Liability after Foreclosure*, *Loan Acceptance*, *Refinancing*, and *Tax Deductions*. In addition, a chart contains *Contact Information* for the *Lender*, *Mortgage Broker*, two *Real Estate Brokers*, and a *Settlement Agent*. The page

also includes a *Questions* box to refer consumers to the CFPB website and others in the *Contact Information* table. An optional signature line allows the lender to document receipt of the disclosure.

As with the Loan Estimate, the Closing Disclosure reduces the number of pages the consumer would receive during the settlement process. By our calculation, the five-page Closing Disclosure replaces the three-page HUD-1, the two-page Truth in Lending disclosure, and several additional separate and/or new disclosures, which potentially could have resulted in at least seven additional pages. These separate disclosures include the new disclosures required by the Dodd-Frank Act: (1) *Total Interest Percentage*, (2) *Negative Amortization*, (3) *Partial Payment*, (4) *Escrow Account*, and (5) *Liability after Foreclosure*.

Page 1 of Closing Disclosure

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
Anytown, ST 12345
Sale Price \$180,000

Transaction Information

Borrower Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
Seller Steve Cole and Amy Doe
321 Somewhere Drive
Anytown, ST 12345
Lender Ficus Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$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 <small>Amount can increase over time</small>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time See page 4 for details</small>	\$356.13 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <small>See Escrow Account on page 4 for details. You must pay for other property costs separately.</small>	In escrow? YES YES NO
---	---------------------	--	--------------------------------

Costs at Closing

Closing Costs	\$9,712.10	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 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

- Loan Details:** Shows Transaction information.
- Loan Terms:** Shows the basic *Loan Terms*, whether they may increase or change, and the timing and highest possible change.
- Projected Payments:** Shows affordability information, including how and when *Monthly Principal & Interest* payments can change over time, *Estimated Taxes, Insurance & Assessments* for the property, and the *Estimated Total Monthly Payment*, including if taxes and insurance payments are escrowed or excluded from the loan payment.
- Costs at Closing:** This section shows another aspect of affordability in order to purchase the house.
- Closing Costs:** Shows the total of *Loan Costs* and *Other Costs* from page 2—and allows shopping on the basis of the cost of getting a mortgage.
- Cash to Close:** Shows the additional cost to close the loan and the real estate transaction.

Page 2 of Closing Disclosure

1 Loan Costs: Lists the costs that are generally associated with the loan, including the lender's charges and required services. These required services are grouped by services for which the consumer can or cannot shop for through their own providers. It also identifies who paid the costs and when.

2 Other Costs: Lists the costs that are generally not determined by the lender, including taxes, insurance premiums, and optional services. It also identifies who paid the costs and whether the cost was paid at or before the closing.

3 Total Closing Costs: Calculates the *Closing Costs* for the borrower factoring in any *Lender Credits*, including credits for when a violation of the regulatory limits on increases from the estimated charges has occurred.

Closing Cost Details

Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
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.		\$29.80			\$405.00
02	Credit Report Fee to Information Inc.					
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		\$85.00				
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

Page 3 of Closing Disclosure

1

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	

2

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		M. Due to Seller at Closing	
\$189,762.30		\$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		N. Due from Seller at Closing	
\$175,615.04		\$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	
Other Credits		06	
06 Rebate from Epsilon Title Co.	\$750.00	07	
07		08 Seller Credit	\$2,500.00
Adjustments		09	
08		10	
09		11	
10		12	
11		13	
Adjustments for Items Unpaid by Seller		Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04	14 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes	to	15 County Taxes	to
14 Assessments	to	16 Assessments	to
15		17	
16		18	
17		19	
CALCULATION		CALCULATION	
Total Due from Borrower at Closing (K)	\$189,762.30	Total Due to Seller at Closing (M)	\$180,080.00
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04	Total Due from Seller at Closing (N)	– \$115,665.04
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26	Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

CLOSING DISCLOSURE
PAGE 3 OF 5 • LOAN ID # 123456789

1 Calculating Cash to Close: Like the Loan

Estimate, this section lists the elements that make up the *Cash to Close*, including any deposit and credits. It lists the amounts from the Loan Estimate and the final costs to show changes and briefly explains why the change occurred or where more detail is located on the disclosure. It also notes when a violation of the regulatory limitations on increases from the estimated charges has occurred.

2 Summaries of Transactions: A carryover from the HUD-1 revised to have more plain language, it summarizes the distribution of funds, including adjustments in amounts owed to the borrower or seller for prorated property costs, such as property taxes.

Page 4 of Closing Disclosure

1 Loan Disclosures: Includes several current and newly-required disclosure statements, such as *Assumption*, *Demand Feature*, *Late Payment*, *Negative Amortization*, *Partial Payments*, and *Security Interest*.

2 Escrow Account: Provides details about the *Escrow Account* and an estimate of costs due if there is no escrow account.

Additional Information About This Loan

Loan Disclosures **1**

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 **2**

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: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> 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.

Page 5 of Closing Disclosure

1
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%

2
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.

3
Questions?

If you have questions about the 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

4
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

5
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 _____

CLOSING DISCLOSURE

Co-Applicant Signature _____ Date _____

PAGE 5 OF 5 • LOAN ID # 123456789

1 Loan Calculations:
Consolidates several new and previously required disclosures under TILA. The section does not contain the Approximate Cost of Funds that was included in the Proposed Rule because the CFPB determined to delete this item from the disclosure based on consumer testing results and public comments.

2 Other Disclosures:
Includes several current and newly-required disclosure statements, such as *Appraisal*, *Contract Details*, *Liability after Foreclosure*, *Refinance*, *Loan Acceptance*, and *Tax Deductions*.

3 Questions: Lists the CFPB website as a general resource and refers consumers to the *Contact Information* table.

4 Contact Information:
Groups *Contact Information* in a usable reference table.

5 Confirm Receipt (optional): Allows for consumer signatures to document receipt of the disclosure.

List of Appendices

- Appendix A. Final Questionnaire Name Set Distribution
- Appendix B. Proctor Script
- Appendix C. Questionnaire
- Appendix D. Recruiting Script
- Appendix E. KnowledgePanel Background
- Appendix F. Answer Keys
- Appendix G. Coding Lists
- Appendix H. Table 8. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures—Grouped by Task
- Appendix I. Table 9. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures—Grouped by Concept
- Appendix J. Current Easier Fixed A Disclosures
- Appendix K. Current Easier Fixed B Disclosures
- Appendix L. Current More Challenging Fixed A Disclosures
- Appendix M. Current More Challenging Fixed B Disclosures
- Appendix N. Current Easier ARM A Disclosures
- Appendix O. Current Easier ARM B Disclosures
- Appendix P. Current More Challenging ARM A Disclosures
- Appendix Q. Current More Challenging ARM B Disclosures
- Appendix R. Proposed Easier Fixed A Disclosures
- Appendix S. Proposed Easier Fixed B Disclosures
- Appendix T. Proposed More Challenging Fixed A Disclosures
- Appendix U. Proposed More Challenging Fixed B Disclosures
- Appendix V. Proposed Easier ARM A Disclosures
- Appendix W. Proposed Easier ARM B Disclosures
- Appendix X. Proposed More Challenging ARM A Disclosures
- Appendix Y. Proposed More Challenging ARM B Disclosures
- Appendix Z. References



Final Questionnaire Name Set Distribution

With the final sample size of 858 completed interviews, the following table represents the distribution of interviews across each name set (32 sets, to account for first seen randomization) and experience level.

Package Number	Testing Set Number	Status	Type	Version	Name Set	Questionnaire (11 pages)	Answer Key	Initial TIL (2 pages)	GFE (3 pages)	Final TIL (2 pages)	HUD-1 Legal (3 pages)	Loan Est. (3 pages)	Closing Disc. (5 pages)
1	1	C	Easier Fixed	A	NS1 Maple	CEF-NS1	EF-NS1	S2	S3	S2	Legal 3		
1	1	C	Easier Fixed	B	NS1 Nandina	CEF-NS1	EF-NS1	S2	S3	S2	Legal 3		
2	2	P	Easier Fixed	A	NS1 Aspen	PEF-NS1	EF-NS1					S3	S5
2	2	P	Easier Fixed	B	NS1 Balsam	PEF-NS1	EF-NS1					S3	S5
3	3	C	Easier Fixed	A	NS2 Aspen	CEF-NS2	EF-NS2	S2	S3	S2	Legal 3		
3	3	C	Easier Fixed	B	NS2 Balsam	CEF-NS2	EF-NS2	S2	S3	S2	Legal 3		
4	4	P	Easier Fixed	A	NS2 Maple	PEF-NS2	EF-NS2					S3	S5
4	4	P	Easier Fixed	B	NS2 Nandina	PEF-NS2	EF-NS2					S3	S5
5	5	C	More Challenging Fixed	A	NS1 Oak	CMCF-NS1	MCF-NS1	S2	S3	S2	Legal 3		
5	5	C	More Challenging Fixed	B	NS1 Pine	CMCF-NS1	MCF-NS1	S2	S3	S2	Legal 3		
6	6	P	More Challenging Fixed	A	NS1 Cottonwood	PMCF-NS1	MCF-NS1					S3	S5
6	6	P	More Challenging Fixed	B	NS1 Dogwood	PMCF-NS1	MCF-NS1					S3	S5
7	7	C	More Challenging Fixed	A	NS2 Cottonwood	CMCF-NS2	MCF-NS2	S2	S3	S2	Legal 3		
7	7	C	More Challenging Fixed	B	NS2 Dogwood	CMCF-NS2	MCF-NS2	S2	S3	S2	Legal v3		

Package Number	Packaging Instructions	Green	Yellow	Red	Blue	Orange	Number of Copies of this Package	Experienced	Inexperienced
1		Maple Initial TIL, Maple GFE, Nandina Initial TIL, Nandina GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Maple Initial TIL, Maple GFE, Questionnaire Part 3 Red	Maple Final TIL, Maple HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
1									
2		Aspen Loan Estimate, Balsam Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Aspen Loan Estimate, Questionnaire Part 3 Red	Aspen Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
2									
3		Aspen Initial TIL, Aspen GFE, Maple Initial TIL, Maple GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Aspen Initial TIL, Aspen GFE, Questionnaire Part 3 Red	Aspen Final TIL, Aspen HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
3									
4		Maple Loan Estimate, Nandina Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Maple Loan Estimate, Questionnaire Part 3 Red	Maple Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
4									
5		Oak Initial TIL, Oak GFE, Pine Initial TIL, Pine GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Oak Initial TIL, Oak GFE, Questionnaire Part 3 Red	Oak Final TIL, Oak HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
5									
6		Cottonwood Loan Estimate, Dogwood Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Cottonwood Loan Estimate, Questionnaire Part 3 Red	Cottonwood Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
6									
7		Cottonwood Initial TIL, Cottonwood GFE, Dogwood Initial TIL, Dogwood GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Cottonwood Initial TIL, Cottonwood GFE, Questionnaire Part 3 Red	Cottonwood Final TIL, Cottonwood HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
7									

Package Number	Testing Set Number	Status	Type	Version	Name Set	Questionnaire (11 pages)	Answer Key	Initial TIL (2 pages)	GFE (3 pages)	Final TIL (2 pages)	HUD-1 Legal (3 pages)	Loan Est. (3 pages)	Closing Disc. (5 pages)
8	8	P	More Challenging Fixed	A	NS2 Oak	PMCF-NS2	HF-NS2					S3	S5
8	8	P	More Challenging Fixed	B	NS2 Pine	PMCF-NS2	HF-NS2					S3	S5
9	9	C	Easier ARM	A	NS1 Quince	CEA-NS1	EA-NS1	S2	S3	S2	Legal 3		
9	9	C	Easier ARM	B	NS1 Redbud	CEA-NS1	EA-NS1	S2	S3	S2	Legal 3		
10	10	P	Easier ARM	A	NS1 Elm	PEA-NS1	EA-NS1					S3	S5
10	10	P	Easier ARM	B	NS1 Fir	PEA-NS1	EA-NS1					S3	S5
11	11	C	Easier ARM	A	NS2 Elm	CEA-NS2	EA-NS2	S2	S3	S2	Legal 3		
11	11	C	Easier ARM	B	NS2 Fir	CEA-NS2	EA-NS2	S2	S3	S2	Legal 3		
12	12	P	Easier ARM	A	NS2 Quince	PEA-NS2	EA-NS2					S3	S5
12	12	P	Easier ARM	B	NS2 Redbud	PEA-NS2	EA-NS2					S3	S5
13	13	C	More Challenging ARM	A	NS1 Spruce	CMCA-NS1	MCA-NS1	S2	S3	S2	Legal 3		
13	13	C	More Challenging ARM	B	NS1 Tulip	CMCA-NS1	MCA-NS1	S2	S3	S2	Legal 3		
14	14	P	More Challenging ARM	A	NS1 Gingko	PMCA-NS1	MCA-NS1					S3	S5
14	14	P	More Challenging ARM	B	NS1 Hornbeam	PMCA-NS1	MCA-NS1					S3	S5

Package Number	Packaging Instructions	Green	Yellow	Red	Blue	Orange	Number of Copies of this Package	Experienced	Inexperienced
8		Oak Loan Estimate, Pine Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Oak Loan Estimate, Questionnaire Part 3 Red	Oak Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
8									
9		Quince Initial TIL, Quince GFE, Redbud Initial TIL, Redbud GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Quince Initial TIL, Quince GFE, Questionnaire Part 3 Red	Quince Final TIL, Quince HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
9									
10		Elm Loan Estimate, Fir Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Elm Loan Estimate, Questionnaire Part 3 Red	Elm Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
10									
11		Elm Initial TIL, Elm GFE, Fir Initial TIL, Fir GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Elm Initial TIL, Elm GFE, Questionnaire Part 3 Red	Elm Final TIL, Elm HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
11									
12		Quince Loan Estimate, Redbud Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Quince Loan Estimate, Questionnaire Part 3 Red	Quince Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
12									
13		Spruce Initial TIL, Spruce GFE, Tulip Initial TIL, Tulip GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Spruce Initial TIL, Spruce GFE, Questionnaire Part 3 Red	Spruce Final TIL, Spruce HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
13									
14		Ginkgo Loan Estimate, Hornbeam Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Ginkgo Loan Estimate, Questionnaire Part 3 Red	Ginkgo Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
14									

Package Number	Testing Set Number	Status	Type	Version	Name Set	Questionnaire (11 pages)	Answer Key	Initial TIL (2 pages)	GFE (3 pages)	Final TIL (2 pages)	HUD-1 Legal (3 pages)	Loan Est. (3 pages)	Closing Disc. (5 pages)
15	15	C	More Challenging ARM	A	NS2 Gingko	CMCA-NS2	MCA-NS2	S2	S3	S2	Legal 3		
15	15	C	More Challenging ARM	B	NS2 Hornbeam	CMCA-NS2	MCA-NS2	S2	S3	S2	Legal 3		
16	16	P	More Challenging ARM	A	NS2 Spruce	PMCA-NS2	MCA-NS2					S3	S5
16	16	P	More Challenging ARM	B	NS2 Tulip	PMCA-NS2	MCA-NS2					S3	S5
17	1	C	Easier Fixed	A	NS1 Maple	CEF-NS1	EF-NS1	S2	S3	S2	Legal 3		
17	1	C	Easier Fixed	B	NS1 Nandina	CEF-NS1	EF-NS1	S2	S3	S2	Legal 3		
18	2	P	Easier Fixed	A	NS1 Aspen	PEF-NS1	EF-NS1					S3	S5
18	2	P	Easier Fixed	B	NS1 Balsam	PEF-NS1	EF-NS1					S3	S5
19	3	C	Easier Fixed	A	NS2 Aspen	CEF-NS2	EF-NS2	S2	S3	S2	Legal 3		
19	3	C	Easier Fixed	B	NS2 Balsam	CEF-NS2	EF-NS2	S2	S3	S2	Legal 3		
20	4	P	Easier Fixed	A	NS2 Maple	PEF-NS2	EF-NS2					S3	S5
20	4	P	Easier Fixed	B	NS2 Nandina	PEF-NS2	EF-NS2					S3	S5
21	5	C	More Challenging Fixed	A	NS1 Oak	CMCF-NS1	MCF-NS1	S2	S3	S2	Legal 3		
21	5	C	More Challenging Fixed	B	NS1 Pine	CMCF-NS1	MCF-NS1	S2	S3	S2	Legal 3		

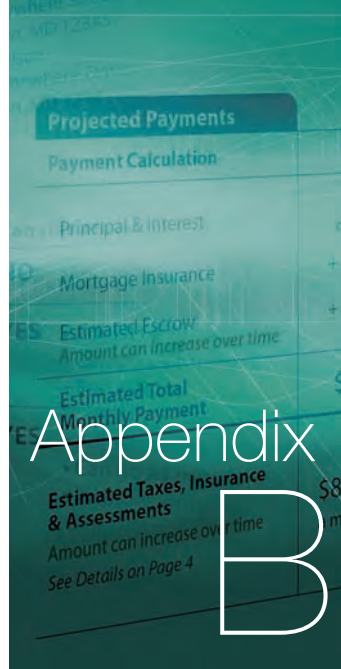
Package Number	Packaging Instructions	Green	Yellow	Red	Blue	Orange	Number of Copies of this Package	Experienced	Inexperienced
15		Gingko Initial TIL, Gingko GFE, Hornbeam Initial TIL, Hornbeam GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Gingko Initial TIL, Gingko GFE, Questionnaire Part 3 Red	Gingko Final TIL, Gingko HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
15									
16		Spruce Loan Estimate, Tulip Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Spruce Loan Estimate, Questionnaire Part 3 Red	Spruce Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
16									
17		Maple Initial TIL, Maple GFE, Nandina Initial TIL, Nandina GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Nandina Initial TIL, Nandina GFE, Questionnaire Part 3 Red	Nandina Final TIL, Nandina HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
17									
18		Aspen Loan Estimate, Balsam Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Balsam Loan Estimate, Questionnaire Part 3 Red	Balsam Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
18									
19		Aspen Initial TIL, Aspen GFE, Maple Initial TIL, Maple GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Balsam Initial TIL, Balsam GFE, Questionnaire Part 3 Red	Balsam Final TIL, Balsam HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
19									
20		Maple Loan Estimate, Nandina Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Nandina Loan Estimate, Questionnaire Part 3 Red	Nandina Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
20									
21		Oak Initial TIL, Oak GFE, Pine Initial TIL, Pine GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Pine Initial TIL, Pine GFE, Questionnaire Part 3 Red	Pine Final TIL, Pine HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
21									

Package Number	Testing Set Number	Status	Type	Version	Name Set	Questionnaire (11 pages)	Answer Key	Initial TIL (2 pages)	GFE (3 pages)	Final TIL (2 pages)	HUD-1 Legal (3 pages)	Loan Est. (3 pages)	Closing Disc. (5 pages)
22	6	P	More Challenging Fixed	A	NS1 Cottonwood	PMCF-NS1	MCF-NS1					S3	S5
22	6	P	More Challenging Fixed	B	NS1 Dogwood	PMCF-NS1	MCF-NS1					S3	S5
23	7	C	More Challenging Fixed	A	NS2 Cottonwood	CMCF-NS2	MCF-NS2	S2	S3	S2	Legal 3		
23	7	C	More Challenging Fixed	B	NS2 Dogwood	CMCF-NS2	MCF-NS2	S2	S3	S2	Legal 3		
24	8	P	More Challenging Fixed	A	NS2 Oak	PMCF-NS2	MCF-NS2					S3	S5
24	8	P	More Challenging Fixed	B	NS2 Pine	PMCF-NS2	MCF-NS2					S3	S5
25	9	C	Easier ARM	A	NS1 Quince	CEA-NS1	EA-NS1	S2	S3	S2	Legal 3		
25	9	C	Easier ARM	B	NS1 Redbud	CEA-NS1	EA-NS1	S2	S3	S2	Legal 3		
26	10	P	Easier ARM	A	NS1 Elm	PEA-NS1	EA-NS1					S3	S5
26	10	P	Easier ARM	B	NS1 Fir	PEA-NS1	EA-NS1					S3	S5
27	11	C	Easier ARM	A	NS2 Elm	CEA-NS2	EA-NS2	S2	S3	S2	Legal 3		
27	11	C	Easier ARM	B	NS2 Fir	CEA-NS2	EA-NS2	S2	S3	S2	Legal 3		
28	12	P	Easier ARM	A	NS2 Quince	PEA-NS2	EA-NS2					S3	S5
28	12	P	Easier ARM	B	NS2 Redbud	PEA-NS2	EA-NS2					S3	S5

Package Number	Packaging Instructions	Green	Yellow	Red	Blue	Orange	Number of Copies of this Package	Experienced	Inexperienced
22		Cottonwood Loan Estimate, Dogwood Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Dogwood Loan Estimate, Questionnaire Part 3 Red	Dogwood Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
22									
23		Cottonwood Initial TIL, Cottonwood GFE, Dogwood Initial TIL, Dogwood GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Dogwood Initial TIL, Dogwood GFE, Questionnaire Part 3 Red	Dogwood Final TIL, Dogwood HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
23									
24		Oak Loan Estimate, Pine Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Pine Loan Estimate, Questionnaire Part 3 Red	Pine Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
24									
25		Quince Initial TIL, Quince GFE, Redbud Initial TIL, Redbud GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Redbud Initial TIL, Redbud GFE, Questionnaire Part 3 Red	Redbud Final TIL, Redbud HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
25									
26		Elm Loan Estimate, Fir Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Fir Loan Estimate, Questionnaire Part 3 Red	Fir Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
26									
27		Elm Initial TIL, Elm GFE, Fir Initial TIL, Fir GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Fir Initial TIL, Fir GFE, Questionnaire Part 3 Red	Fir Final TIL, Fir HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
27									
28		Quince Loan Estimate, Redbud Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Redbud Loan Estimate, Questionnaire Part 3 Red	Redbud Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
28									

Package Number	Testing Set Number	Status	Type	Version	Name Set	Questionnaire (11 pages)	Answer Key	Initial TIL (2 pages)	GFE (3 pages)	Final TIL (2 pages)	HUD-1 Legal (3 pages)	Loan Est. (3 pages)	Closing Disc. (5 pages)
29	13	C	More Challenging ARM	A	NS1 Spruce	CMCA-NS1	MCA-NS1	S2	S3	S2	Legal 3		
29	13	C	More Challenging ARM	B	NS1 Tulip	CMCA-NS1	MCA-NS1	S2	S3	S2	Legal 3		
30	14	P	More Challenging ARM	A	NS1 Gingko	PMCA-NS1	MCA-NS1					S3	S5
30	14	P	More Challenging ARM	B	NS1 Hornbeam	PMCA-NS1	MCA-NS1					S3	S5
31	15	C	More Challenging ARM	A	NS2 Gingko	CMCA-NS2	MCA-NS2	S2	S3	S2	Legal 3		
31	15	C	More Challenging ARM	B	NS2 Hornbeam	CMCA-NS2	MCA-NS2	S2	S3	S2	Legal 3		
32	16	P	More Challenging ARM	A	NS2 Spruce	PMCA-NS2	MCA-NS2					S3	S5
32	16	P	More Challenging ARM	B	NS2 Tulip	PMCA-NS2	MCA-NS2					S3	S5

Package Number	Packaging Instructions	Green	Yellow	Red	Blue	Orange	Number of Copies of this Package	Experienced	Inexperienced
29		Spruce Initial TIL, Spruce GFE, Tulip Initial TIL, Tulip GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Tulip Initial TIL, Tulip GFE, Questionnaire Part 3 Red	Tulip Final TIL, Tulip HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
30		Gingko Loan Estimate, Hornbeam Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Hornbeam Loan Estimate, Questionnaire Part 3 Red	Hornbeam Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
31		Gingko Initial TIL, Gingko GFE, Hornbeam Prelim TIL, Hornbeam GFE, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Hornbeam Initial TIL, Hornbeam GFE, Questionnaire Part 3 Red	Hornbeam Final TIL, Hornbeam HUD-1, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15
32		Spruce Loan Estimate, Tulip Loan Estimate, Questionnaire Part 1 Green	Questionnaire Part 2 Yellow	Tulip Loan Estimate, Questionnaire Part 3 Red	Tulip Closing Disclosure, Questionnaire Part 4 Blue	Questionnaire Part 5 Orange	30	15	15



Proctor Script

“Read Aloud” Instructions for Study Proctor

Introduction to Study (5 minutes)

Thank you for participating in our study. In the study, you will be asked to review certain documents and answer questions based on information presented in those documents. It may feel as if we are testing you, but we are interested in how well these documents work. Today, each of you will receive the same sets of questions. However, your documents may look different than those provided to other participants, and you may receive a different number of documents for each part. Also, the numbers in the documents may be different for each person in the room, so your answers may be different as well. Don't worry if your documents or answers do not look like those of your neighbor. Please work carefully. We are interested in your thoughtful responses to the documents presented to you. The entire study takes about 60 minutes and I will give you an estimate of how long each task may take. You can stop participating at any time.

The study is divided into several parts:

- The materials for each part are in the LARGE GREEN envelope in front of you.
- Within the envelope are 5 colored envelopes, one for each part of our study today.
- As we begin each part, I will ask you to remove a particular colored envelope and to take out documents and/or a questionnaire. Remember that you may have a different number of documents than other people. Also, the questionnaire may refer to documents in the plural, but you may have only one. That is okay. Other people may have multiple documents.
- When you complete a part, please wait until I ask you to proceed. This will ensure that everyone is together at the start of each new part.
- I will also ask you to place your colored envelopes and completed materials back into the large GREEN envelope.
- I am happy to answer questions about the process and the testing procedures. However, I am not familiar with the content.

Are there any questions before we begin?

Part 1 (10 minutes)

Let's get started on Part 1. Here is the scenario for Part 1:

Assume that you have found a home you want to purchase and are now shopping for a mortgage loan. You have talked to loan officers at two different banks about taking out a mortgage. Each of the two banks gives you application disclosures when you apply that explain the costs and features of their loan product.

Please remove the PURPLE envelope from your large GREEN envelope. Make sure that it is marked Part 1. Now, please open the PURPLE envelope and pull out the two paper clipped sets of information. These are the application disclosures you would receive from two different banks. Do NOT remove the questionnaire—which is on YELLOW paper.

Look through these application disclosures carefully and think about which loan you would prefer. You may mark on the documents if you want.

It should take you about 5 minutes to complete this part. I will let you know when you are halfway through the five minutes and will give you a one minute warning.

When you are finished, please put down your pencil and the documents and look up so I know you are finished. Ready? Please start.

(Wait 2.5 minutes and say: "We are now halfway through the time.")

(Wait 4 minutes and say: "You have one more minute to review the two documents.")

(Wait 5 minutes or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Now, please take out the questionnaire on YELLOW paper that is in the PURPLE envelope in front of you. Check to make sure that the questionnaire says "Part 1" on the top.

While you answer the questions, please look at the loan information you examined. Please work carefully. You have five minutes to complete this questionnaire. I will give you a one minute warning so you know how much time is left to complete this task.

When you are finished, put down the questionnaire and your pencil and look up so I know you are ready.

Ready to begin? Please start.

(Wait 4 minutes and say: "You have one more minute to complete this task.")

(Wait 5 minutes or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Thank you.

Please put the YELLOW questionnaire ONLY back into the PURPLE envelope and then put the PURPLE envelope back into the large GREEN envelope. Please keep the application disclosures in front of you.

Part 2 (8 minutes)

Now take out the YELLOW envelope. You can take the YELLOW questionnaire out of the YELLOW envelope. Check to make sure that the questionnaire says "Part 2" on the top.

You will need to look at the same two application disclosures we used in part one to answer these questions in Part 2. Please work carefully. It should take you approximately 10 minutes to complete this task.

I will give you both a 5 minute warning when you are halfway through the 10 minutes and also give you a one minute warning.

When you are finished, put down the questionnaire and your pencil and look up so I know you are ready.

Ready to begin? Please start.

(Wait 4 minutes and say: "We are now halfway through the time.")

(Wait 3 more minutes and say: "You have one more minute to review the two documents.")

(Wait 8 minutes or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Thank you.

Please place the questionnaire you just completed AND all of the application disclosures you just reviewed into the YELLOW envelope and put the YELLOW envelope back into the large GREEN envelope.

Part 3 (12 minutes)

Now take out the BROWN envelope. Remove the questionnaire and the application disclosure(s). Remember that you may have different numbers of documents. Check to make sure that the questionnaire says "Part 3" on the top. Note that this loan information is identical to one of the application disclosure(s) you just looked at. It may not be the loan you selected in Part 1, but we want you to use this loan.

You will need to look at the loan information to answer these questions. Please work carefully. You will have about 15 minutes to complete this part.

I will let you know when you are halfway through the 15 minutes and will also give you a one minute warning.

When you are finished, put down the questionnaire and look up so I know you are ready. Are you ready? Please start.

(Wait 6 minutes and say: "We are now halfway through the time.")

(Wait 6 more minutes and say: "You have one more minute to review the two documents.")

(Wait 1 MORE minute or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Please place the questionnaire back into the BROWN envelope and put the BROWN envelope back into the large GREEN envelope. Leave the application disclosure(s) you reviewed out in front of you for the next task.

Part 4 (10 minutes)

Now assume that you have decided to get your loan from the bank whose application disclosure(s) are in front of you. This bank has approved your loan and you are now ready to close or settle on the loan. The bank now gives you final loan disclosures that provide the final details about the costs and features associated with your loan.

Now take out the BLUE envelope. Do NOT remove the questionnaire which is on YELLOW paper. Please remove the clipped set of information. This set is the final disclosure(s) and has the final information you will need to close/settle on your loan.

Look through the information on the final disclosure(s) and compare it to the information on the application disclosure(s).

You will have about 5 minutes to look over these documents. I will let you know when you are halfway through the 5 minutes and will also give you a one minute warning.

When you are finished, put down the documents and your pencil and look up so I know you are ready. Are you ready? Please start.

(Wait 5 minutes and say: "We are now halfway through the time.")

(Wait 4 more minutes and say: "You have one more minute to review the two documents.")

(Wait 5 minutes or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Now pull out the questionnaire that is on YELLOW paper in the BLUE envelope. Check to make sure that the questionnaire says "Part 4" on the top.

You will need to look at the application and final disclosure(s) to answer these questions. Please work carefully. This task should take you about 2 minutes to complete.

When you are finished, put down the questionnaire and your pencil and look up so I know you are ready. Ready? Please start.

(Wait 1 minute and say: "You have one more minute to review the two documents.")

(Wait 1 more minute or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Thank you.

Keep all of the loan documents you just reviewed out with you.

Please put ONLY the YELLOW questionnaire back in the BLUE envelope. Now put the BLUE envelope into the GREEN envelope.

Part 5 (5 minutes)

Now take out the ORANGE envelope. Take out the YELLOW questionnaire in the ORANGE envelope. Check to make sure that the questionnaire says "Part 6" on the top.

Please look at the application and the final disclosures to answer these questions. Please work carefully. This task should take you about 5 minutes to complete.

I will let you know when you are halfway through the 5 minutes and will give you a one minute warning.

When you are finished, put down the questionnaire and your pencil and look up so I know you are ready. Ready? Please start.

(Wait 2.5 minutes and say: "We are now halfway through the time.")

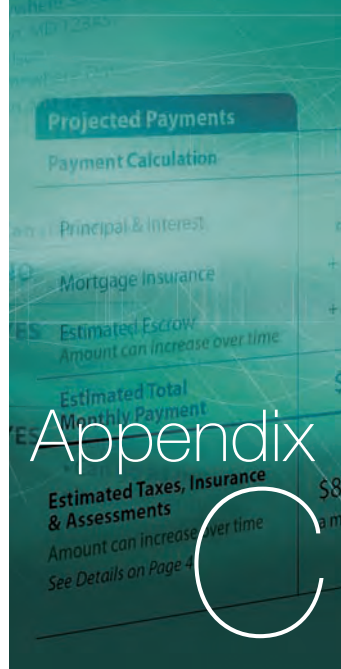
(Wait 4 minutes and say: "You have one more minute to review the two documents.")

(Wait 5 minutes or until all participants have finished. If needed, give participants one additional minute, then say: "If you have not finished, that's fine. We are going to move on to the next section.")

Thank you.

Now, please place both the YELLOW questionnaire and all of the loan disclosures into the ORANGE envelope. Please put the ORANGE envelope into the GREEN envelope.

You have completed the entire set of tasks. Thank you for participating in the group. Please leave all materials in the GREEN envelope in front of you -- do not take any materials with you out of the room. You can pick up your check at the front desk.



Questionnaire

A total of 16 different questionnaires were used for this survey based on the mortgage disclosure documents provided by the CFPB. Each of these questionnaires corresponds to a mortgage disclosure name set. The following questionnaire was used for the current disclosures and the Easier Fixed A and B (Maple Bank and Nandina Bank) loans. The questionnaires were identical except for the bank names and that the phrase “closing costs” instead of “settlement charges” was used for the proposed disclosures.

CFPB Mortgage Study Part 1

(GREEN Envelope)

You can look at the paper-clipped application disclosures for the two loans from the GREEN envelope to answer these questions. Please work carefully.

1. If you were shopping for a mortgage loan and had to choose between these two loans, which one would you choose?

- ☐ Maple Bank
- ☐ Nandina Bank
- ☐ Either is fine/ Prefer both equally
- ☐ Don't know

2. Why did you make that selection? Please explain your thinking in as much detail as possible in the space below.

WHEN YOU ARE FINISHED, PLEASE WAIT FOR FURTHER INSTRUCTIONS FROM THE PROCTOR.

CFPB Mortgage Study Part 2

(YELLOW Envelope)

You will need to look at the same paper-clipped application disclosures from Part 1 to answer these questions. Please work carefully.

3. How do these two loans compare in terms of the amount of money you are borrowing?

- ☐ I am borrowing less with Maple Bank
- ☐ I am borrowing less with Nandina Bank
- ☐ I am borrowing the same amount with either Maple Bank or Nandina Bank
- ☐ Don't know

4. How do these two loans compare in terms of interest rate in year 1?

- ☐ Maple Bank has a higher interest rate in year 1
- ☐ Nandina Bank has a higher interest rate in year 1
- ☐ Maple Bank and Nandina Bank have the same interest rate in year 1
- ☐ Don't know

5. How do these two loans compare in terms of points paid?

- ☐ Maple Bank has more points
- ☐ Nandina Bank has more points
- ☐ Both Maple Bank and Nandina Bank have the same points
- ☐ Don't know

6. How do these two loans compare in terms of escrow account?

- ☐ Only Maple Bank shows an escrow account
- ☐ Only Nandina Bank shows an escrow account
- ☐ Both Maple Bank and Nandina Bank show an escrow account
- ☐ Neither Maple Bank nor Nandina Bank shows an escrow account
- ☐ Don't know

7. How do these two loans compare in terms of the Annual Percentage Rate (APR)?
- ☐ Maple Bank has a lower APR
 - ☐ Nandina Bank has a lower APR
 - ☐ Both Maple Bank and Nandina Bank have the same APR
 - ☐ Don't know
8. How do these two loans compare in terms of changes in estimated total monthly payment?
- ☐ Only the total monthly payment for Maple Bank will change (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR FURTHER INSTRUCTIONS.)
 - ☐ Only the total monthly payment for Nandina Bank will change (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR FURTHER INSTRUCTIONS.)
 - ☐ The total monthly payment for both banks will change (CONTINUE TO Q9.)
 - ☐ The total monthly payment for neither bank will change (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR FURTHER INSTRUCTIONS.)
 - ☐ Don't know (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR FURTHER INSTRUCTIONS.)
9. For which loan does the estimated total monthly payment change first?
- ☐ Maple Bank
 - ☐ Nandina Bank
 - ☐ The estimated total monthly payment for both banks changes at the same time
 - ☐ Don't know
10. How do these two loans compare in terms of the highest estimated total monthly payment over the life of the loan?
- ☐ The highest estimated total monthly payment for Maple Bank is larger
 - ☐ The highest estimated total monthly payment for Nandina Bank is larger
 - ☐ Both Maple Bank and Nandina Bank have the same highest estimated total monthly payment
 - ☐ Don't know

WHEN YOU ARE FINISHED, PLEASE WAIT FOR FURTHER INSTRUCTIONS FROM THE PROCTOR.

CFPB Mortgage Study Part 3

(RED envelope)

You will need to look at the application disclosures from the RED envelope to answer these questions. Please work carefully.

11. What is the loan amount?

_____ Dollars

___ Don't know

12. What is the interest rate in year 1?

_____ %

___ Don't know

13. Can the interest rate change over the life of the loan?

___ Yes (CONTINUE TO Q14)

___ No (SKIP TO Q15)

___ Don't know (SKIP TO Q15)

14. When can the interest rate first change?

___ Don't know

15. Can the scheduled principal and interest payment change over the life of the loan?

___ Yes

___ No

___ Don't know

16. How much are your estimated settlement charges?

_____ Dollars

☐ Don't know

17. Which of the following, if any, are settlement charges you will pay for?

Please check all that apply.

☐ Homeowner's association (HOA) dues

☐ Real estate agent fee

☐ Appraisal fee

☐ Transfer taxes

☐ Credit report fee

☐ None of the above

☐ Don't know

18. When you make your first total monthly payment, for how much will you write the check (or make an electronic payment)?

_____ Dollars

☐ Don't know

19. Which of the following settlement services, if any, can you shop for? Please check all that apply.

☐ Pest inspection

☐ Appraisal

☐ Credit report

☐ Survey

☐ Settlement agent

☐ None of the above

☐ Don't know

20. When is your final scheduled payment?

- ☐ At the end of 5 years
- ☐ At the end of 7 years
- ☐ At the end of 15 years
- ☐ At the end of 30 years
- ☐ None of the above
- ☐ Don't know

21. Does this lender collect payments from you for upcoming taxes, insurance, or other expenses, hold them in a reserve fund, and later make payments out of this fund on your behalf?

- ☐ Yes
- ☐ No
- ☐ Don't know

22. Suppose that you took out this loan and then one year later you wanted to refinance the loan with a different lender to get a better rate. To get out of this loan, will you have to:

- ☐ Pay off the remaining balance
- ☐ Pay off the remaining balance plus additional fees
- ☐ Pay less than the remaining balance
- ☐ Don't know

23. What is the Annual Percentage Rate (APR) for this loan?

- ☐ %
- ☐ Don't know

24. If you make all scheduled total monthly payments, how much principal will you have paid in 5 years?

- ☐ More than the sum of your total monthly payments over 5 years
- ☐ Less than the sum of your total monthly payments over 5 years
- ☐ Equal to the sum of your total monthly payments over 5 years
- ☐ Don't know

25. Does this loan have mortgage insurance?

- ☐ Yes (CONTINUE TO Q26)
- ☐ No (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR INSTRUCTIONS.)
- ☐ Don't know (YOU ARE FINISHED WITH THIS SECTION. PLEASE WAIT FOR INSTRUCTIONS.)

26. How much is the first monthly payment for mortgage insurance?

- _____ Dollars
- ☐ Don't know

WHEN YOU ARE FINISHED, PLEASE WAIT FOR FURTHER INSTRUCTIONS FROM THE PROCTOR.

CFPB Mortgage Study Part 4

(BLUE envelope)

You will need to look at the application and the final disclosures from the BLUE envelope to answer these questions. Please work carefully.

27. What is the loan amount on the final disclosures?

28. How do the application disclosures and the final disclosures compare in terms of the loan amount at settlement?

☐ Loan amount is the same (SKIP TO Q30)

☐ Loan amount is not the same (CONTINUE TO Q29)

☐ Don't know (SKIP TO Q30)

29. Why did the loan amount change on the final disclosures?

☐ Don't know

30. How do the application disclosures and the final disclosures compare in terms of the interest rate in year 1?

☐ Interest rate in year 1 is the same (SKIP TO Q32)

☐ Interest rate in year 1 is not the same (CONTINUE TO Q31)

☐ Don't know (SKIP TO Q32)

31. Why are the interest rates different?

☐ Don't know

32. How do the application disclosures and the final disclosures compare in terms of settlement charges?

- ☐ Settlement charges are the same (SKIP TO Q34)
- ☐ Settlement charges are not the same (CONTINUE TO Q33)
- ☐ Don't know (SKIP TO Q34)

33. List the name of one settlement charge that has a different amount.

34. How do the application disclosures and the final disclosures compare in terms of an escrow account?

- ☐ Only the application disclosures show an escrow account (SKIP TO Q36)
- ☐ Only the final disclosures show an escrow account (SKIP TO Q36)
- ☐ Both the application disclosures and the final disclosures show an escrow account, and the items included are the same (SKIP TO Q36)
- ☐ Both the application disclosures and the final disclosures show an escrow account, but the items included are different (CONTINUE TO Q35)
- ☐ Neither the application disclosures nor the final disclosures show an escrow account (SKIP TO Q36)
- ☐ Don't know (SKIP TO Q36)

35. List the name of one escrow account item that is different.

LOOK ONLY AT THE FINAL DISCLOSURES TO ANSWER THE REMAINING QUESTIONS IN THIS SECTION.

36. Looking only at the final disclosures, what is the amount of cash you need at settlement?

- _____ Dollars
- ☐ Don't know

37. Looking only at the final disclosures, if you make the scheduled total monthly payments, will the loan amount increase after closing?

☐ Yes

☐ No

☐ Don't know

38. Looking only at the final disclosures, what is the amount of the highest possible monthly principal and interest payment?

_____ Dollars

☐ Don't know

39. Looking only at the final disclosures, does the scheduled monthly principal and interest payment change after closing?

☐ Principal and interest payments remain the same (SKIP TO Q42)

☐ Principal and interest payments change (CONTINUE TO Q40)

☐ Don't know (SKIP TO Q42)

40. Looking only at the final disclosures, when is the principal and interest payment first scheduled to change?

_____ (CONTINUE TO Q41)

☐ Don't know (SKIP TO Q42)

41. After the first change, how often can the scheduled principal and interest payment change?

Every _____ year(s)

☐ Never

☐ Don't know

42. Do you have any comments about the final loan terms and costs?

WHEN YOU ARE FINISHED, PLEASE WAIT FOR FURTHER INSTRUCTIONS FROM THE PROCTOR.

CFPB Mortgage Study Part 5

(ORANGE envelope)

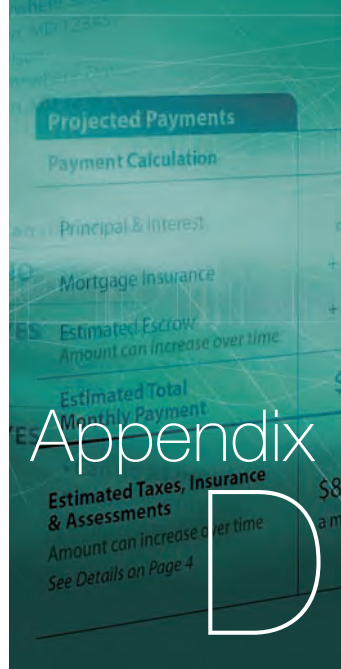
Please tell us how much you agree or disagree with each of the following statements about the application disclosures using the scale shown below.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
43. The application disclosures were easy to read and understand					
44. The application disclosures made it easy to compare the two loan offers					
45. It was hard to find the information I needed on the application disclosures for most questions					

Please tell us how much you agree or disagree with each of the following statements about the final disclosures using the scale shown below.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
46. The final disclosures were easy to read and understand					
47. It was easy to compare the final disclosures with the application disclosures					
48. It was hard to find the information I needed on the final disclosures for most questions					

WHEN YOU ARE FINISHED, PLEASE WAIT FOR FURTHER INSTRUCTIONS FROM THE PROCTOR



Recruiting Script

[DISPLAY]

To start, we have a few questions to make sure we ask the right questions of the right people.

[SP]

[PROMPT IF SKIPPED]

Q1. Are you a mortgage loan broker, lender, loan originator, or settlement agent?

Yes.....1

No2

[TERMINATE IF Q1 = 1 OR REFUSED AND DISPLAY THE TEXT BELOW:]

We are sorry, but this study is focused on people who are less familiar with the real estate industry. Thank you for taking our survey.

[ASK IF Q1 = 2]

[SP]

Q2. Are you a realtor, appraiser, or title insurer, or do you work in an office that deals with real estate transactions?

Yes.....1

No2

[TERMINATE IF Q2 = 1 OR REFUSED AND DISPLAY THE TEXT BELOW:]

We are sorry, but this study is focused on people who are less familiar with the real estate industry. Thank you for taking our survey.

[ASK IF Q2 = 2]

[SP]

Q3. Would you be involved in the decision in your household about choosing and closing on a mortgage loan to buy a house or refinance?

Yes, I am involved in the
decision-making.....1
No2

**[TERMINATE IF Q3 = 2 OR REFUSED AND
DISPLAY THE TEXT BELOW:]**

We are sorry, but the focus of our study requires us to get information from a person who is involved in making financial decisions. Thank you for taking our survey.

[ASK IF Q3 = 1]

[SP]

[PROMPT IF SKIPPED]

[TERMINATE IF Q4 REFUSED]

Q4. Next, have you **ever** bought a house and financed it with a mortgage loan?

Yes, bought1
Yes, refinanced.....2
No3

[IF Q4 = 1 OR 2 SKIP TO Q6]

[IF Q4 = 3 CONTINUE TO Q5]

[SP]

Q5. Do you intend to buy a house and finance it with a mortgage loan within the next...?

5 years.....1
10 years.....2
15 years.....3
No4

[IF Q5 = 1, 2 OR 3 SKIP TO Q14]

**[TERMINATE IF Q5 = 4 OR REFUSED AND
DISPLAY THE FOLLOWING TEXT:]**

We are sorry, but the focus of this study is on people who will be taking out mortgages. Thank you for taking our survey.

[ASK IF Q4 = 1 OR 2]

[SP]

Q6. Have you bought a house and financed it or refinanced a mortgage in the past 5 years?

Yes, bought1
Yes, refinanced.....2
No3

**[ASK Q7 ONLY IF Q6 = 3; IF Q6 = 1 OR 2
SKIP TO Q8]**

[SP]

Q7. Do you intend to buy a house and finance it with a mortgage loan again or refinance again within the next...?

5 years.....1
10 years.....2
15 years.....3
No4

[IF Q7 = 1, 2 OR 3 SKIP TO Q14]

**[TERMINATE IF Q7 = 4 OR REFUSED AND
DISPLAY THE FOLLOWING TEXT:]**

We are sorry, but the focus of this study is on people who will be taking out mortgages. Thank you for taking our survey.

[ASK Q8 ONLY IF Q6 = 1 OR 2]

[SP]

Q8. Have you experienced a delinquency, default, or foreclosure within the past 5 years?

Yes.....1
No2

NO Q9 – Q13.

[SP]

[PROMPT ONCE]

Q14. The Consumer Financial Protection Bureau has posted mortgage disclosure forms and a proposed rule about the forms on its website. Have you seen these forms, commented on them, or previously participated in a study about mortgage disclosure forms conducted by Kleimann Communication Group?

Yes.....1
No2

**[TERMINATE IF Q14 = 1 OR REFUSED AND
DISPLAY THE FOLLOWING TEXT:]**

We are sorry, but you do not fit the background we need for participation in this particular study. Thank you for taking our survey.

[ASK IF Q14 = 2]

[SP]

Q14a. Which of the following statements comes closest to describing the amount of financial risk that you (and your husband/wife/partner) are willing to take when you save or make investments?

- Take substantial financial risks expecting to earn substantial returns..... 1
- Take above average financial risks expecting to earn above average returns 2
- Take average financial risks expecting to earn average returns 3
- Not willing to take any financial risks.... 4

[SP]

Q14b. In planning or budgeting your (family's) saving and spending, which of the following time periods is most important to you (and your family living here)?

- Next few months 1
- Next year 2
- Next few years 3
- Next 5-10 years 4
- Longer than 10 years 5

[SP]

Q14c. At this time, do you have a good idea of what your (family's) income for next year will be?

- Yes..... 1
- No 2

[SP]

Q14d. Do you usually have a good idea of what your (family's) next year's income will be?

- Yes..... 1
- No 2

[SP]

Q14e. Five years from now, do you think interest rates will be higher, lower, or about the same as today?

- Higher 1
- Lower 2
- About the same 3

Q14f. Would you describe the area you live in as...

- Rural 1
- Suburban 2
- Urban 3

NO Q15.

[ASK IF Q14 = 2]

[SP]

[PROMPT IF SKIPPED]

Q16. Congratulations! You have qualified to receive 75,000 points by participating in an in-person interview. The interview sessions are conducted by GfK in the [CITY, STATE] area and will be held at the following location:

NAME
ADDRESS
ADDRESS 2

The interviews take approximately 60 minutes. During the interview, you will be asked to evaluate disclosures people receive when purchasing or refinancing a house. The interviews will take place between DATE1 and DATE2 in the evening hours.

Would you be willing to come to the office, participate in an observed session, and provide us with feedback about your experience?

- Yes..... 1
- No 2

[Show Display if Q16 = 1]

[DISPLAY]

Thank you! We are glad you are interested in participating. A GfK representative will call you to schedule your specific interview time.

[STANDARD KN CLOSE]



KnowledgePanel Background

KnowledgePanel members are recruited through national random samples, originally by telephone and now almost entirely by postal mail. Households are provided with access to the Internet and hardware, if needed. Unlike Internet convenience panels, also known as “opt-in” panels, that include only individuals with Internet access who volunteer themselves for research, KnowledgePanel recruitment uses dual sampling frames that include both listed and unlisted telephone numbers, telephone and non-telephone households, and cell-phone-only households, as well as households with and without Internet access. Only persons sampled through these probability-based techniques are eligible to participate on KnowledgePanel. Unless invited to do so as part of these national samples, no one can volunteer to be on the panel. To offset attrition, multiple recruitment samples are fielded evenly throughout the calendar year.

Building the KnowledgePanel: RDD Sampling Methodology

KnowledgePanel recruitment methodology has used the quality standards established by selected RDD surveys conducted for the Federal government, such as the CDC-sponsored National Immunization Survey. To build the KnowledgePanel, the recruitment employed list-assisted RDD sampling techniques based on a sample frame of the U.S. residential landline telephone universe. For purposes of efficiency, only those banks of telephone numbers (a bank consists of 100 numbers) that had fewer than two directory listings were excluded. Additionally, an oversampling was conducted within a stratum of telephone exchanges that had high concentrations of African American and Hispanic households based on Census data. Recruitment sampling is done without replacement, thus numbers already fielded do not get fielded again.

A telephone number for which a valid postal address can be matched occurred in about 67-70% of each sample. These address-matched cases were all mailed an advance letter informing them that they had been selected to participate in KnowledgePanel. For purposes of efficiency, the unmatched numbers were most recently under-sampled at a rate of 0.75 relative to the matched numbers. Both the minority over-sampling and this under-sampling of non-address households were adjusted appropriately in the panel's weighting procedures.

Following the mailings, telephone recruitment by trained interviewers/recruiters began for all sampled telephone numbers. Telephone numbers for cases sent to recruiters were dialed for up to 90 days, with at least 14 dial attempts for cases in which no one answered the phone, and for numbers known to be associated with households. Extensive refusal conversion was also performed. The recruitment interview, about 10 minutes in length, began with informing the household member that the household had been selected to join KnowledgePanel. If the household did not have a computer and access to the Internet, the household member was told that in return for completing a short survey weekly, the household would be provided with free monthly Internet access and a laptop computer (in the past, the household was provided with a WebTV device). All members of the household were enumerated, and some initial demographic and background information on prior computer and Internet use was collected.

Households that informed recruiters that they had a home computer and Internet access were asked to take surveys using their own equipment and Internet connection. Incentive points per survey, redeemable for cash, are given to these "PC" (personal computer) respondents for completing their surveys. Panel members provided with a laptop computer and free Internet access do not participate in this per-survey points-incentive program. However, all panel members receive special incentive points for select surveys to improve response rates and/or for all longer surveys as a modest compensation for the extra burden of their time and participation.

For those panel members receiving a laptop computer, each unit is custom-configured prior to shipment with individual email accounts so that it is ready for immediate use by the household. Most households are able to install the hardware without additional assistance, although a toll-free telephone line is available for technical support. The Call Center contacts household members who do not respond to e-mail and attempts to restore both contact and participation. PC panel members provide their own e-mail addresses and receive their weekly survey invitations at that e-mail account.

All new panel members receive an initial survey for the dual purpose of welcoming them as new panel members and introducing them to how online survey questionnaires work. New panel members also complete a separate profile survey that collects essential demographic information, such as gender, age, race, income, and education to create a personal member profile. This information can be used to determine eligibility for specific studies and is factored in for weighting purposes. Operationally, once the profile information is stored, it does not need to be re-collected as a part of each and every survey. This information is also updated annually for all panel members. Once new members have completed their profile surveys, they are designated as "active," and considered ready to be sampled for client studies. [Note: Parental or legal guardian consent is also collected for the purpose of conducting surveys with teenage panel members, aged 13 to 17.]

Once a household is recruited and each household member's e-mail address is either obtained or provided, panel members are sent survey invitations linked through a personalized e-mail message (instead of by phone or postal mail). This contact method permits surveys to be fielded quickly and economically, and also facilitates longitudinal research. In addition, this approach reduces the burden placed on respondents, since e-mail notification is less intrusive than telephone calls and allows research subjects to participate in research when it is convenient for them.

Transitioning to an Address-Based Sampling (ABS) Methodology

For the first KnowledgePanel recruitment in 1999, the conventional opinion among survey experts was that probability-based sampling could be carried out cost effectively through the use of a national RDD sample. The RDD landline frame at the time allowed access to 96% of U.S. households. This is no longer the case. In 2009, the use of the ABS sample frame for panel recruitment reflected the real changes in society and telephony over recent years. Those changes that have reduced the long-term scientific viability of landline RDD sampling methodology are as follows:

- Declining respondent cooperation in telephone surveys as reflected in “do not call” lists, call screening, caller-ID devices, and answering machines;
- The dilution of the RDD sample frame as measured by the working telephone number rate; and
- The emergence of cell-phone-only households (CPOHH) because such households are excluded from the RDD frame because they have no landline telephone.

According to the Centers for Disease Control and Prevention (January-June 2010), approximately 28.6% of all U.S. households cannot be contacted through RDD sampling—26.6% as a result of CPOHH status and 2% because they have no telephone service whatsoever. Among some age segments, the RDD non-coverage would be substantial: 40% of young adults, ages 18–24, reside in CPOHHs, 51% of those ages 25–29 reside in CPOHHs, as do 40% of those ages 30–34.⁴⁶

After conducting an extensive pilot project in 2008, the decision was made to move toward an address-based sample (ABS) frame in response to the growing number of CPOHHs that are outside the RDD frame. Before conducting the ABS pilot, we also experimented with supplementing the RDD samples with cell-phone samples. However, this approach was not cost effective—and raised a number of other operational, data quality, and liability issues (for example, calling cell phones while respondents were driving).

46 Blumberg, S.J. and J.V. Luke. December 2010. *Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2010*. National Center for Health Statistics. Available from: <http://www.cdc.gov/nchs/nhis.htm>.

Building the KnowledgePanel: Address-Based Sampling (ABS) Methodology

The key advantage of the ABS sample frame is that it allows sampling of almost all U.S. households. An estimated 97% of households are “covered” in sampling nomenclature. Regardless of household telephone status, those households can be reached and contacted through postal mail. Second, the ABS pilot project revealed several additional advantages beyond expected improvement in recruiting adults from CPOHHs:

- Improved sample representativeness for minority racial and ethnic groups
- Improved inclusion of lower educated and low income households
- Exclusive inclusion of the fraction of CPOHHs that have neither a landline telephone nor Internet access (approximately 4% to 6% of U.S. households).

ABS involves probability-based sampling of addresses from the U.S. Postal Service’s Delivery Sequence File. Randomly sampled addresses are invited to join KnowledgePanel through a series of mailings and, in some cases, telephone follow-up calls to non-responders when a telephone number can be matched to the sampled address. Operationally, invited households have the option to join the panel by one of several ways:

- Completing and returning a paper form in a postage-paid envelope,
- Calling a toll-free hotline, or
- Going to a dedicated website and completing an online recruitment form.

After initially accepting the invitation to join the panel, respondents are then “profiled” online by answering key demographic questions about themselves. This profile is maintained through the same procedures that were previously established for RDD-recruited panel members. Respondents not having an Internet connection are provided a laptop computer and free Internet service. Respondents sampled from the ABS frame, like those sampled from the RDD frame, are offered the same privacy terms and confidentiality protections that have been developed over the years and that have been reviewed by dozens of Institutional Review Boards.

Large-scale ABS sampling for KnowledgePanel recruitment began in April 2009. As a result, sample coverage on KnowledgePanel of CPOHHs, young adults, and non-whites has been increasing steadily since that time.

Because KnowledgePanel members have been recruited from two different sample frames, RDD and ABS, several technical processes have been implemented to merge samples sourced from these frames. The approach preserves the representative structure of the overall panel for the selection of individual client study samples. An advantage of mixing ABS frame panel members in any KnowledgePanel sample is a reduction in the variance of the weights. ABS-sourced samples tend to align more closely to the overall demographic distributions in the population, and thus the associated adjustment weights are somewhat more uniform and less varied. This variance reduction efficaciously attenuates the sample’s design effect and provides an advantage for study samples drawn from KnowledgePanel with its dual frame construction.



Answer Keys

Separate answer sheets were prepared for each set of loan types. The answer sheet below was prepared for the easier fixed loans and included the bank names Aspen, Balsam, Maple, and Nandina. We also provided variations of answers to some questions, such as to allow for respondents to round numbers in their answers.

QUANTITATIVE TEST ANSWER KEY

Easier Fixed, Name Sets 1 and 2

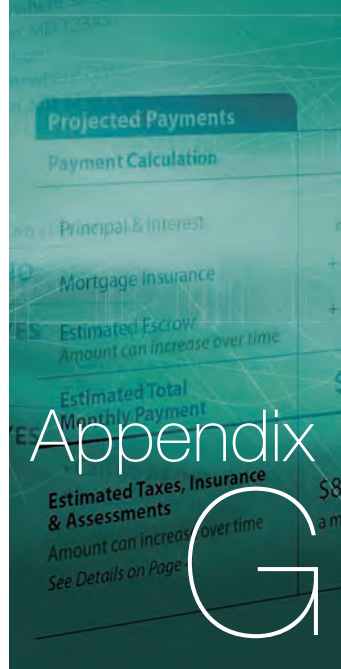
Question	Current Forms		Proposed Forms	
1 Any answer	Maple (A NS1) Nandina (B NS1) Aspen (A NS2) Balsam (B NS2) Either Don't know		Aspen (A NS1) Balsam (B NS1) Maple (A NS2) Nandina (B NS2) Either Don't know	
2	TBD		TBD	
PART 2	Comparison		Comparison	
3	Same		Same	
4	Balsam/Nandina is higher		Balsam/Nandina is higher	
5	Aspen/Maple has more		Aspen/Maple has more	
6	Both		Both	
7	Aspen/Maple is lower		Aspen/Maple is lower	
8	Both banks will change		Both banks will change	
9	At the same time		At the same time	
10	Balsam/Nandina		Balsam/Nandina	
PART 3	A (Maple/Aspen)	B (Nandina/Balsam)	A (Aspen/Maple)	B (Balsam/Nandina)
11	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000
12	3.875%	4.25%	3.875%	4.25%
13	No	No	No	No
14 Any answer	Skip	Skip	Skip	Skip
15	No	No	No	No
16	\$8,052.84, \$8,052, or \$8,053	\$4,735.55, \$4,735, \$4,736	\$8,054.00 or \$8,054 [Separate non-correct code for \$16,054.00 or \$16,054]	\$4,736.00 or \$4,736 [Separate non-correct code for \$12,736.00 or \$12,736]
17 All answers	Appraisal Fee Credit Report Fee	Appraisal Fee Credit Report Fee	Appraisal Fee Credit Report Fee	Appraisal Fee Credit Report Fee
18	\$1,050.26 or \$1,050	\$1,096.59, \$1,096, or \$1,097	\$1,050.00, \$1,050, or \$1,049.78	\$1,096.00, \$1,096, or \$1,095.94
19 All answers	<ul style="list-style-type: none"> • Pest Inspection • Survey • Settlement Agent 	<ul style="list-style-type: none"> • Pest Inspection • Survey • Settlement Agent 	<ul style="list-style-type: none"> • Pest Inspection • Survey • Settlement Agent 	<ul style="list-style-type: none"> • Pest Inspection • Survey • Settlement Agent
20	End of 30 years	End of 30 years	End of 30 years	End of 30 years
21	Yes	Yes	Yes	Yes
22	Remaining balance plus additional fees	Remaining balance	Remaining balance plus additional fees	Remaining balance
23	4.274%	4.581%	4.274%	4.581%

QUANTITATIVE TEST ANSWER KEY *continued*

Question	Current Forms		Proposed Forms	
24	Less than	Less than	Less than	Less than
25	Yes	Yes	Yes	Yes
26	\$82.35 or \$82	\$82.35 or \$82	\$82.00 or \$82	\$82.00 or \$82
PART 4	A (Aspen/Maple)	B (Balsam/Nandina)	A (Maple/Aspen)	B (Balsam/Nandina)
27	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000	\$162,000.00 or \$162,000
28	Same	Same	Same	Same
29	Skip	Skip	Skip	Skip
30	Same	Not the same	Same	Not the same
31 Either answer	Skip	<ul style="list-style-type: none"> • No Rate Lock • Interest rate was not locked • Interest rate was only available through 2/15/13 • Interest rate can change until lock the rate 	Skip	<ul style="list-style-type: none"> • No Rate Lock • Interest rate was not locked • Interest rate was only available through 2/15/13 • Interest rate can change until lock the rate
32	Not the same	Not the same	Not the same	Not the same
33 Any answer	<ul style="list-style-type: none"> • Flood Monitoring • Credit Report • Tax Status (or Tax Service) • Daily Interest Charges • Homeowner's Insurance • Initial Deposit for your Escrow Account • Title Services and Lender's Title Insurance • Owner's Title Insurance • Pest Inspection Fee • Survey Fee 	<ul style="list-style-type: none"> • Credit or Charge (points) • Adjusted Origination Charge • Daily Interest Charges • Homeowner's Insurance • Initial deposit for your escrow account • Owner's Title Insurance • Government Recording Charges • Pest Inspection Fee 	<ul style="list-style-type: none"> • Credit Report Fee • Flood Monitoring • Tax Status Research Fee • Pest Inspection Fee • Survey • Title – Insurance Binder • Title – Lender's Title Policy • Title – Title Search • Title – Settlement Agent Fee • [Accept general statement "Title charges" because all title charges changed] • Homeowner's Insurance Premium • Prepaid Interest • Property Taxes • Initial Escrow Payment at Closing • Title – Owner's Title Policy 	<ul style="list-style-type: none"> • Lender Credits • Pest Inspection Fee • Recording Fees • Homeowner's Insurance Premium • Prepaid Interest • Property Taxes • Initial Escrow Payment at Closing • Title - Owner's Title Policy

QUANTITATIVE TEST ANSWER KEY *continued*

Question	Current Forms		Proposed Forms	
34	Both show an escrow account but the items are the same	Both show an escrow account but the items are different	Both show an escrow account but the items are the same	Both show an escrow account but the items are different
35 Any answer	Skip	Skip	Skip	Skip
36	\$14,147.26 or \$14,147	\$14,574.35 or \$14,574	\$14,147.26 or \$14,147	\$14,574.35 or \$14,574
37	No	No	No	No
38	\$761.78, \$761, or \$762	\$820.83, \$820, or \$821	\$761.78, \$761, or \$762	\$820.83, \$820, or \$821
39	Remain the same	Remain the same	Remain the same	Remain the same
40 Any answer	Skip	Skip	Skip	Skip
41	Skip	Skip	Skip	Skip
42 Bonus question	Seller credit appeared at closing	<ul style="list-style-type: none"> • Interest rate increased from estimate • Category of "charges that cannot increase" increased 	<ul style="list-style-type: none"> • Seller credit appeared at closing 	<ul style="list-style-type: none"> • Interest rate increased from estimate • Increase in closing costs exceeds legal limits



Coding List

711074

Q14 When can the interest rate first change?

001 In/after year three	008 6/1/2018
002 In/after year four	009 Cannot change
003 In/after year five	010 6/1/2020
004 In/after year six	011 Before closing
005 In/after year seven	012 5/1/2016
006 In/after year eight	050 Other
007 4/16/2013	997 Nothing

Q2 If you were shopping for a mortgage loan and had to choose between these two loans, which ones would you choose? Why did you make that selection?

- | | |
|---|--|
| () Interest/APR (Net) | 052 Lower escrow monthly payment |
| 001 Don't/wouldn't want variable rate | 053 No monthly escrow payment |
| 002 Lower interest rate | 054 Monthly payment does not increase |
| 003 Lower Annual Percentage Rate | 055 Pay more to principal |
| 004 It's a fixed/non-adjustable interest rate | 056 Pay less in interest |
| 005 Interest rate is locked in | 057 No prepayment penalty |
| 006 Longer time before rates can change | 058 No balloon payment |
| 007 Lower limit on how high interest can go | 059 Lower balloon payment |
| 008 Lower total interest percentage | 060 Prefer steady monthly payments |
| 009 Interest only period | 061 Maximum amount you might pay monthly is less |
| 010 Rate changes/can be adjusted after eight (8) years | 062 Lower frequency of payment changes |
| 011 Interest rate not locked in | 063 Lower frequency of interest changes |
| 020 Other interest rate/APR comments | 064 Escrow amount included in monthly payment |
| () Costs at Closing /Settlement (Net) | 065 No points |
| 021 Lower closing costs/less cash needed to close | 066 Total of payment is less |
| 022 Lower origination fee/charge | 067 Lower finance charge |
| 023 No escrow deposit | 068 Lower amount financed |
| 024 Lower escrow deposit | 069 Lower total APR |
| 025 Higher amount/dollar amount for extra services you can shop for | 070 Lower down payment |
| 026 Recording/filing fees/costs | 071 Prepayment penalty only in effect for two years |
| 050 Other costs at closing comments | 072 Favorable payment/payoff/interest terms after five years |
| () Payment structure (Net) | 073 Better mortgage insurance terms |
| 051 Lower payment/monthly payment | 074 Taxes are lower |
| | 100 Other payment structure comments |

() Miscellaneous (Net)	109 Don't like/want either loan
101 Lower fees/charges (unspecified)	110 Need more information/more time to study the proposals
102 GFE is clear/easy to understand	147 Other loan related comments
103 GFE is more fully explained/more informative	148 Other form related comments
104 Information easier to understand/read	149 Other self experience comments
105 Overall terms of loan/better product	150 Other miscellaneous comments
106 Overall cost more reasonable/price is lower/saves money	997 Nothing
107 Decision based on length of time planning to stay in home (any)	998 Don't know
108 Less risky/safer/feel more secure	

Q29 Why did the loan amount change on the final disclosures?

001 Interest rate/APR increased	016 Paying points
002 Additional fees (unspecified)	017 Changes in filing/recording/inspection fees
003 Closing costs were financed	018 Escrow changed
004 Closing/settlement charges changed	019 Interest rate/APR decreased
005 Closing costs were wrapped into the loan	020 Closing costs/settlement charges increased
006 Closing/settlement charges were estimates	021 Increased insurance costs (unspecified)
007 Seller-paid fees changed	022 Upfront finance charge (unspecified)
008 Original loan amount was an estimate	023 Increase in finance charges (unspecified)
009 Changes in loan rate/APR	024 Increase in PMI
010 Inclusion of homeowner's association fees	025 Increase in principal
011 Mortgage insurance amount changed	050 Other
012 Title charges	
013 Change in taxes	997 Nothing
014 Inclusion of settlement/loan origination charges	998 Don't know
015 Change in amount financed	

Q31 Why are the interest rates different?

- | | |
|---|---|
| 001 Variable/market-driven rate | 014 Because rate lock-in expired/expired before the close |
| 002 Change in the disclosure rate | 015 Length of time between estimate and closing date |
| 003 Loan amount/terms changed | 016 You pay only interest/escrow in the first years of the loan |
| 004 Introductory rate which changes over time | 017 Higher interest rate for first five years of the loan |
| 005 Buyer paid points to lower interest rate | 050 Other |
| 006 Change in mortgage insurance | 997 Nothing |
| 007 Different banks | 998 Don't know |
| 008 Rate increased/decreased (unspecified) | 999 Can't code |
| 009 Negative amortization | |
| 010 Escrow | |
| 011 Changes in settlement | |
| 012 Decrease in rate/APR | |
| 013 Rate wasn't locked in | |

Q33 List the name of one closing/settlement charge that has a different amount.

- | | |
|---|------------------------------------|
| 001 Survey fee | 012 Flood monitoring fee |
| 002 Title insurance search/services fees | 013 Disclosure/closing disclosure |
| 003 Title settlement agent's fee | 014 Loan costs (unspecified) |
| 004 Lender's title insurance fee | 015 Other fees/costs (unspecified) |
| 005 Recording/filing fees/costs | 016 Property taxes |
| 006 Pest inspection fee | 017 Origination fee/charges |
| 007 Homeowner's association fees/associated costs | 018 HOA capital contribution |
| 008 Credit report fee/charge | 019 Tax status research fee |
| 009 Homeowner's insurance | 020 Closing costs/cash to close |
| 010 Points paid | 021 Home warranty fee |
| 011 Tax monitoring | 022 Escrow account/payment |
| | 023 Prepaids (unspecified) |

Q33 continued

024 Daily interest	050 Other
025 Appraisal fee	997 Nothing
026 Prepaid interest	998 Don't know
027 Lender credits	999 Can't code

Q35 List the name of one escrow account item that is different.

001 HOA/Homeowners' association fee/dues	010 Prepaid interest
002 Mortgage insurance	011 Fees/costs (unspecified)
003 Property taxes	012 Taxes (unspecified)
004 Accrued interest	013 Insurance (unspecified)
005 Homeowner's insurance	014 Title search/service/insurance
006 Escrow/additional escrow payments	050 Other
007 Good Faith Estimate (GFE)	
008 Disclosure/final disclosure	997 Nothing
009 Initial deposit	998 Don't know

Q40 Looking only at the final disclosures, when is the principal and interest payment first scheduled to change?

001 5/1/2018	010 Seven years
002 6/1/2018	011 Three years
003 5/1/2020	012 Never/doesn't change
004 6/1/2023	013 5/1/2016
005 Year four	014 6/1/2020
006 Year six	050 Other
007 Year eight	
008 Year eleven	997 Nothing
009 Five years	998 Don't know

Q42 Do you have any comments about the final loan terms and costs?

- | | |
|---|---|
| () Confusion (Net) | 017 HOA wasn't included originally/homeowners association fees not made clear |
| 001 Confusing | 018 Homeowner's insurance unclear/inaccurate/not on application |
| 002 Don't understand it | 019 Don't like/understand why settlement/closing charges changed |
| 024 Initially confusing/confusing at first | 020 Don't like/understand why total of payment changed |
| 030 Too confusing | 021 Don't like/understand why monthly payment amount changed |
| 034 Other confusion comments | 022 Would feel swindled/have gotten the "bait & switch" |
| 003 I would ask questions | 023 Don't like/understand why property taxes changed |
| 004 Simplify the information/a lot to absorb on one page | 025 Changed to Negative Amortization (Neg Am) loan/Loan amount can now increase |
| 005 Why the changes between application and closing? | 026 Changed to Interest Only loan |
| 006 It's more than estimated/originally projected | 027 Loan Terms changed |
| 007 Full disclosure of costs of the loan should be revealed before the closing date | 028 Settlement/closing charges Changed |
| 008 Both the estimate and the final disclosure were the same | 029 Other Changes |
| 009 Don't like increase in interest rate | 031 Other loan related comments |
| 010 Don't understand why the interest rate changes | 032 Other transaction related comments |
| 011 Interest charges over the course of the loan are too high | 033 Form related comments |
| 012 Cost at closing exceeded allowable limits | 050 Other |
| 013 Dislike/don't understand changes in escrow | 051 Not enough time to read/respond |
| 014 Too complicated | 997 Nothing |
| 015 Are from a different lender/why did you switch banks? | 998 Don't know |
| 016 Wouldn't be happy/dissatisfied with loan/would walk out | |

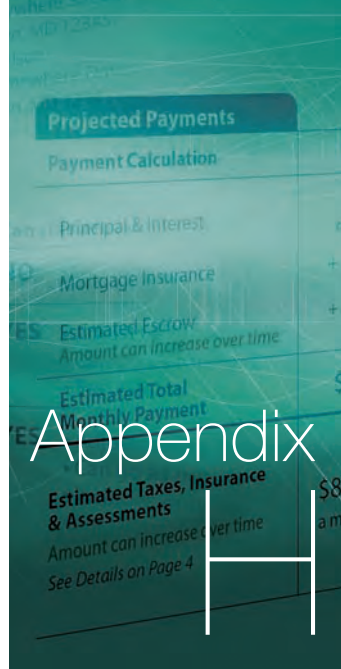


Table 8. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures – Grouped by Task

APPENDIX H. TABLE 8. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures – Grouped by Task

	Current Forms (N=428)	Proposed Forms (N=430)	Difference
TASK 2: Comparison of Initial Disclosures (PART 2)			
Amount Borrowed – Q3	32.5%	81.4%	48.9%*
Interest Rate Year 1 – Q4	81.3%	87.4%	6.1%*
Points Paid – Q5	55.8%	62.8%	7.0%*
Escrow Account – Q6	80.4%	94.4%	14.0%*
Annual Percentage Rate (APR) – Q7	83.2%	87.7%	4.5%
Total Monthly Payment – Q8	49.5%	86.3%	36.8%*
Change in Total Monthly Payment – Q9**	39.0%	77.9%	38.9%*
Highest Total Monthly Payment – Q10**	36.9%	73.0%	36.1%*
Average for 8 Questions	57.3%	81.4%	24.1%*
Average for 6 “Non-Skippable” Questions	63.8%	83.3%	19.5%*
TASK 3: Questions on Initial Disclosure (PART 3)			
Loan Amount – Q11	60.5%	99.1%	38.6%*
Interest Rate Year 1 – Q12	92.1%	96.7%	4.6%*
Interest Rate Change – Q13	92.8%	93.3%	0.5%
Timing of Interest Rate Change – Q14**	80.6%	90.0%	9.4%*
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1%
Closing Costs/Settlement Charges – Q16	86.2%	46.3%	-39.9%*
Closing Costs/Settlement Charges Items – Q17	90.3%	86.5%	-3.8%
First Monthly Payment – Q18	43.7%	64.7%	21.0%*
Closing/Settlement Services Can Shop For – Q19	62.8%	92.9%	30.1%*
Final Payment Timing – Q20	93.2%	94.9%	1.7%
Escrow Fund – Q21	83.4%	79.5%	-3.9%
Refinance Cost – Q22	53.3%	54.9%	1.6%
Annual Percentage Rate (APR) – Q23	65.7%	79.5%	13.8%*
Principal Paid Off In 5 Years – Q24	59.1%	78.6%	19.5%*
Mortgage Insurance – Q25	63.1%	77.0%	13.9%*
Mortgage Insurance – Q26**	2.3%	65.1%	62.8%*
Average for 16 Questions	70.0%	80.5%	10.5%*
Average for 14 “Non-Skippable” Questions	74.0%	80.9%	6.9%*

APPENDIX H. TABLE 8. *continued*

	Current Forms (N=428)	Proposed Forms (N=430)	Difference
TASK 4: Comparison of Initial and Final Disclosures (PART 4)			
Loan Amount at Closing/ Settlement – Q28	50.9%	82.8%	31.9%*
Reason for Loan Amount Change – Q29**	29.4%	62.6%	33.2%*
Interest Rate in Year 1 – Q30	81.8%	87.2%	5.4%*
Reason for Different Interest Rates – Q31**	62.6%	65.1%	2.5%
Closing Costs/Settlement Charges – Q32	77.6%	94.0%	16.4%*
One Different Closing Cost/ Settlement Charge – Q33**	47.0%	47.9%	0.9%
Escrow Account – Q34	36.0%	52.1%	16.1%*
One Different Escrow Item – Q35**	54.0%	60.0%	6.0%
Average for 8 Questions	54.9%	69.0%	14.1%*
Average for 4 “Non-Skippable” Questions	61.6%	79.0%	17.4%*
TASK 5: Questions about Final Disclosure (PART 4)			
Loan Amount – Q27	43.9%	86.7%	42.8%*
Cash Needed for Closing/ Settlement – Q36	45.8%	80.2%	34.4%*
Loan Amount Increase After Closing/ Settlement – Q37	49.3%	65.1%	15.8%*
Highest Monthly Principal & Interest Payment – Q38	14.5%	43.0%	28.5%*
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8%*
First Monthly Principal & Interest Payment Change – Q40**	46.3%	67.9%	21.6%*
Principal & Interest Payment Change Frequency – Q41**	44.6%	62.3%	17.7%*
Average for 7 Questions	42.1%	68.5%	26.4%*
Average for 5 “Non-Skippable” Questions	40.7%	69.8%	29.1%*

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed forms. (2) A Student’s t-test of significance (two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) A ** marks a skippable question.



Table 9. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures – Grouped by Concept

APPENDIX I. TABLE 9. Percentage of Respondents Answering Correctly with Current and Proposed Disclosures – Grouped by Concept

	Current Forms (N=428)	Proposed Forms (N=430)	Difference
CONCEPT 1: Amortization			
Final Payment Timing – Q20	93.2%	94.9%	1.7%
Refinance Cost – Q22	53.3%	54.9%	1.6%
Principal Paid Off in 5 Years – Q24	59.1%	78.6%	19.5%*
Average for 3 Questions	68.5%	76.1%	7.6%*
CONCEPT 2: Annual Percentage Rate			
APR – Q7	83.2%	87.7%	4.5%
APR – Q23	65.7%	79.5%	13.8%*
Average for 2 Questions	74.4%	83.6%	9.2%*
CONCEPT 3: Closing Costs/Settlement Charges			
Points Paid – Q5	55.8%	62.8%	7.0%*
Closing Costs/Settlement Charges – Q16	86.2%	46.3%	-39.9%*
Closing Cost/Settlement Charges Items – Q17	90.3%	86.5%	-3.8%
Closing/Settlement Services Can Shop For – Q19	62.8%	92.9%	30.1%*
Closing Costs/Settlement Charges – Q32	77.6%	94.0%	16.4%*
One Different Closing Costs/Settlement Charge – Q33**	47.0%	47.9%	0.9%
Cash Needed for Closing/Settlement – Q36	45.8%	80.2%	34.4%*
Average for 7 Questions	66.5%	72.9%	6.4%*
Average for 6 “Non-Skippable” Questions	69.8%	77.1%	7.3%*
CONCEPT 4: Escrow Account			
Escrow Account – Q6	80.4%	94.4%	14.0%*
Escrow Fund – Q21	83.4%	79.5%	-3.9%
Escrow Account – Q34	36.0%	52.1%	16.1%*
One Different Escrow Item – Q35**	54.0%	60.0%	6.0%
Average for 4 Questions	63.4%	71.5%	8.1%*
Average for 3 “Non-Skippable” Questions	66.6%	75.4%	8.8%*

APPENDIX I. TABLE 9. *continued*

	Current Forms (N=428)	Proposed Forms (N=430)	Difference
CONCEPT 5: Interest Rate			
Interest Rate Year 1 – Q4	81.3%	87.4%	6.1%*
Interest Rate Year 1 – Q12	92.1%	96.7%	4.6%*
Interest Rate Change – Q13	92.8%	93.3%	0.5%
Timing of Interest Rate Change – Q14**	80.6%	90.0%	9.4%*
Interest Rate in Year 1 – Q30	81.8%	87.2%	5.4%*
Reason for Different Interest Rates – Q31**	62.6%	65.1%	2.5%
Average for 6 Questions	81.9%	86.6%	4.7%*
Average for 4 “Non-Skippable” Questions	87.0%	91.2%	4.2%*
CONCEPT 6: Loan Amount			
Amount Borrowed – Q3	32.5%	81.4%	48.9%*
Loan Amount – Q11	60.5%	99.1%	38.6%*
Loan Amount – Q27	43.9%	86.7%	42.8%*
Loan Amount at Closing/ Settlement – Q28	50.9%	82.8%	31.9%*
Reason for Loan Amount Change – Q29**	29.4%	62.6%	33.2%*
Loan Amount Increase After Closing/Settlement – Q37	49.3%	65.1%	15.8%*
Average for 6 Questions	44.4%	79.6%	35.2%*
Average for 5 “Non-Skippable” Questions	47.4%	83.0%	35.6%*
CONCEPT 7: Monthly Payments			
Total Monthly Payment – Q8	49.5%	86.3%	36.8%*
Change in Total Monthly Payment – Q9**	39.0%	77.9%	38.9%*
Highest Total Monthly Payment – Q10**	36.9%	73.0%	36.1%*
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1%
First Monthly Payment – Q18	43.7%	64.7%	21.0%*
Highest Monthly Principal & Interest Payment – Q38	14.5%	43.0%	28.5%*
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8%*
First Monthly Principal & Interest Payment Change – Q40**	46.3%	67.9%	21.6%*
Principal & Interest Payment Change Frequency – Q41**	44.6%	62.3%	17.7%*
Average for 9 Questions	46.1%	70.9%	24.8%*
Average for 5 “Non-Skippable” Questions	49.7%	71.4%	21.7%*

APPENDIX I. TABLE 9. *continued*

	Current Forms (N=428)	Proposed Forms (N=430)	Difference
CONCEPT 8: Mortgage Insurance			
Mortgage Insurance – Q25			63.1%
Mortgage Insurance – Q26**			2.3%
Average for 2 Questions			32.7%
CONCEPT 9: Risk Factors			
Interest Rate Change – Q13	92.8%	93.3%	0.5%
Principal & Interest Payment Change – Q15	90.4%	89.3%	-1.1%
Escrow Fund – Q21	83.4%	79.5%	-3.9%
Refinance Cost – Q22	53.3%	54.9%	1.6%
Principal Paid Off In 5 Years – Q24	59.1%	78.6%	19.5%
Loan Amount Increase After Closing – Q37	49.3%	65.1%	15.8%
Monthly Principal & Interest Payment Change – Q39	50.2%	74.0%	23.8%
Average for 7 Questions	68.4%	76.4%	8.0%

Notes: (1) Figures in parentheses in the title are the number of respondents exposed to the current/proposed forms. (2) A Student's t-test of significance (Two-tailed) was used to test for differences in proportions (for individual questions) as well as for differences in averages, with * indicating significance at the five percent level. (3) A ** marks a skippable question.



Current Easier Fixed A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Maple Bank and Name Set 2 used Aspen Bank.

Truth-In-Lending Disclosure Statement

Lender: Maple Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.274%	\$120,700.87	\$160,129.40	\$355,037.07

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	3.875%
Principal and Interest	\$761.78
Est. Taxes + Insurance (Escrow)	\$288.48
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$1,050.26

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees \$ 85.00	Non-filing insurance \$ _____
Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.	
Assumption: Someone buying your house: <input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms. <input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.	

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☒ may

☐ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



Good Faith Estimate (GFE)

Name of Originator Maple Bank	Borrower John A. and Mary B.
Originator Address 4321 Random Boulevard Somecity, ST 12340	Property Address 456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number 123-456-7890	Date of GFE 2/15/2013
Originator Email joesmith@maplebank.com	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
3. After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 162,000.00
Your loan term is	30 years
Your initial interest rate is	3.875 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 844.13 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 3,240.00
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **844.13**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$1,802.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$6,250.84
A + B	Total Estimated Settlement Charges	\$ 8,052.84

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$1,397.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ 405.00 for this interest rate of 3.875 %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$405.00										
A Your Adjusted Origination Charges	\$ 1,802.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>405.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>30.00</td> </tr> <tr> <td>Flood Determ./Monitoring</td> <td>52.00</td> </tr> <tr> <td>Tax Status/Monitoring</td> <td>185.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	405.00	Credit Report Fee	30.00	Flood Determ./Monitoring	52.00	Tax Status/Monitoring	185.00	\$672.00
Service	Charge										
Appraisal Fee	405.00										
Credit Report Fee	30.00										
Flood Determ./Monitoring	52.00										
Tax Status/Monitoring	185.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$2,998.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$1,017.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>135.00</td> </tr> <tr> <td>Survey Fee</td> <td>65.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	135.00	Survey Fee	65.00	\$200.00				
Service	Charge										
Pest Inspection Fee	135.00										
Survey Fee	65.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$85.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.	\$412.26										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ 17.44 per day for 15 days (if your settlement is 4/16/2013).	\$261.60										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>604.98</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	604.98	\$604.98						
Policy	Charge										
Hazard Insurance	604.98										
B Your Charges for All Other Settlement Services	\$ 6,250.84										
A + B Total Estimated Settlement Charges	\$ 8,052.84										



Good Faith Estimate (HUD-GFE) 2

Current GFE, Easier, Fixed, A, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> Your adjusted origination charges <i>(after you lock in your interest rate)</i> Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> Owner's title insurance <i>(if you use companies we identify)</i> Required services that you can shop for <i>(if you use companies we identify)</i> Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for <i>(if you do not use companies we identify)</i> Title services and lender's title insurance <i>(if you do not use companies we identify)</i> Owner's title insurance <i>(if you do not use companies we identify)</i> Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 162,000.00	\$	\$
Your initial interest rate ¹	3.875 %	%	%
Your initial monthly amount owed	\$ 844.13	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 8,052.84	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Maple Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.174%	\$118,830.27	\$162,000.00	\$355,037.07

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	3.875%
Principal and Interest	\$761.78
Est. Taxes + Insurance (Escrow)	\$288.48
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$1,050.26

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 85.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

Current Final TIL, Easier, Fixed, A, Name Set 1, page 2

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☒ may

☐ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Maple Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$180,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$9,437.30
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$150.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$190,167.30
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$162,000.00
203. Existing loan(s) taken subject to	
204. Seller Credit	\$2,500.00
205. Rebate from Epsilon Title	\$750.00
206. Appraisal Fee Credit Maple Bank	\$405.00
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$365.04
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$176,020.04
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$190,167.30
302. Less amounts paid by/for borrower (line 220)	(\$176,020.04)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$180,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$180,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$10,000.00
502. Settlement charges to seller (line 1400)	\$2,800.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$100,000.00
505. Payoff of second mortgage loan	
506. Seller Credit	\$2,500.00
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$365.04
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$115,665.04
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$180,080.00
602. Less reductions in amounts due seller (line 520)	(\$115,665.04)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$64,414.96

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, Easier, Fixed, A, Name Set 1, page 2

L. Settlement Charges					
700. Total Real Estate Broker Fees \$11,400.00				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :					
701. \$ 5,700.00	to	Alpha Real Estate Broker			
702. \$ 5,700.00	to	Omega Real Estate Broker			
703. Commission paid at settlement					\$1,400.00
704. Deposit retained by Alpha Real Estate Broker \$10,000.00					
800. Items Payable in Connection with Loan					
801. Our origination charge	\$ 1,397.00	(from GFE #1)			
802. Your credit or charge (points) for the specific interest rate chosen	\$ 405.00	(from GFE #2)			
803. Your adjusted origination charges		(from GFE #A)	\$1,802.00		
804. Appraisal fee to John Smith Appraisers, Inc.		(from GFE #3)	\$405.00		
805. Credit report to Information Inc. (POC \$29.80 Borrower)		(from GFE #3)			
806. Tax service to Info Co.		(from GFE #3)	\$80.00		
807. Flood certification to Info Co.		(from GFE #3)	\$20.00		
808. Flood Monitoring Fee to Info Co.			\$31.75		
809. Tax Monitoring Fee to Info Co.			\$75.00		
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 4/15/2013 to 5/01/2013 @ \$ 17.44 /day		(from GFE #10)	\$279.04		
902. Mortgage insurance premium for months to		(from GFE #3)			
903. Homeowner's insurance for 1 years to Insurance Co.		(from GFE #11)	\$1,209.96		
904. Property Taxes 6 months to Any County USA			\$631.80		
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account		(from GFE #9)	\$412.25		
1002. Homeowner's insurance 2 months @ \$ 100.83 per month	\$ 201.66				
1003. Mortgage insurance months @ \$ per month	\$				
1004. Property Taxes 2 months @ \$ 105.30 per month	\$ 210.60				
1005. months @ \$ per month	\$				
1006. months @ \$ per month	\$				
1007. Aggregate Adjustment	-\$ 0.01				
1100. Title Charges					
1101. Title services and lender's title insurance		(from GFE #4)	\$2,450.00		
1102. Settlement or closing fee	\$				
1103. Owner's title insurance		(from GFE #5)	\$1,000.00		
1104. Lender's title insurance	\$ 500.00				
1105. Lender's title policy limit \$ 162,000.00					
1106. Owner's title policy limit \$ 180,000.00					
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.	\$ 1,200.00				
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.	\$ 300.00				
1109.					
1110.					
1111.					
1200. Government Recording and Transfer Charges					
1201. Government recording charges		(from GFE #7)	\$85.00		
1202. Deed \$ 40.00 Mortgage \$ 45.00 Release \$					
1203. Transfer taxes		(from GFE #8)			
1204. City/County tax/stamps Deed \$ Mortgage \$					\$950.00
1205. State tax/stamps Deed \$ Mortgage \$					
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for		(from GFE #6)	\$205.50		
1302. Pest Inspection Fee to Pests Co.	\$ 120.50				
1303. Survey Fee to Surveys Co.	\$ 85.00				
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)			\$750.00		
1305. Home Warranty Fee to XYZ Warranty Inc.					\$450.00
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			\$9,437.30	\$2,800.00	

Current HUD-1, Easier, Fixed, A, Name Set 1, page 3

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$1,397.00	\$1,397.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$405.00	\$405.00
Your adjusted origination charges	# 803	\$1,802.00	\$1,802.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$85.00	\$85.00
Appraisal Fee	# 802	\$405.00	\$405.00
Credit Report Fee	# 805	\$30.00	\$29.80
Flood certification/Monitoring	# 807/808	\$52.00	\$51.75
Tax service/Monitoring	# 806/809	\$185.00	\$155.00
	#		
	#		
	#		
Total		\$757.00	\$726.55
Increase between GFE and HUD-1 Charges		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$412.26	\$412.25
Daily interest charges \$ 17.44 /day	# 901	\$261.60	\$279.04
Homeowner's insurance	# 903	\$604.98	\$1,209.96
Pest Inspection Fee	# 1302	\$135.00	\$120.50
Survey Fee	# 1303	\$65.00	\$85.00
Title services/Owner's Title Insurance	# 1101/1103	\$4,015.00	\$3,450.00

Loan Terms

Your initial loan amount is	\$ 162,000.00
Your loan term is	30 years
Your initial interest rate is	3.875 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 844.13 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by % . Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than % .
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 3,240.00
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 206.13 that results in a total initial monthly amount owed of \$. This includes principal, interest, any mortgage insurance and any items checked below: <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Flood insurance <input type="checkbox"/> </div> <div> <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> <input type="checkbox"/> </div> </div>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Appendix

Current Easier Fixed B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Nandina Bank and Name Set 2 used Balsam Bank.

Truth-In-Lending Disclosure Statement

Lender: Nandina Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.581%	\$132,103.64	\$161,713.05	\$372,043.80

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	4.25%
Principal and Interest	\$796.94
Est. Taxes + Insurance (Escrow)	\$299.65
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$1,096.59

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 97.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than **15** days late, you will be charged **5%** of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date

Current GFE, Easier, Fixed, B, Name Set 1, page 1

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

Name of Originator Nandina Bank	Borrower John A. and Mary B.
Originator Address 4321 Random Boulevard Somecity, ST 12340	Property Address 456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number 123-456-7890	Date of GFE 2/15/2013
Originator Email joesmith@nandinabank.com	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **2/15/2013 5:00PM EST**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
- After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **3** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 162,000.00
Your loan term is	30 years
Your initial interest rate is	4.25 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 879.29 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **879.29**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$0.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$4,735.55
A + B	Total Estimated Settlement Charges	\$ 4,735.55

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$500.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> 4.25 %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-\$500.00										
A Your Adjusted Origination Charges	\$ 0.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>325.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>24.00</td> </tr> <tr> <td>Flood Certification Fee</td> <td>36.00</td> </tr> <tr> <td>Tax Status Research Fee</td> <td>150.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	325.00	Credit Report Fee	24.00	Flood Certification Fee	36.00	Tax Status Research Fee	150.00	\$535.00
Service	Charge										
Appraisal Fee	325.00										
Credit Report Fee	24.00										
Flood Certification Fee	36.00										
Tax Status Research Fee	150.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$1,680.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$800.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>110.00</td> </tr> <tr> <td>Survey Fee</td> <td>120.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	110.00	Survey Fee	120.00	\$230.00				
Service	Charge										
Pest Inspection Fee	110.00										
Survey Fee	120.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$97.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other <input type="text"/> .	\$434.60										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <input type="text"/> 19.13 per day for <input type="text"/> 15 days (if your settlement is <input type="text"/> 4/16/2013).	\$286.95										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>672.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	672.00	\$672.00						
Policy	Charge										
Hazard Insurance	672.00										
B Your Charges for All Other Settlement Services	\$ 4,735.55										
A + B Total Estimated Settlement Charges	\$ 4,735.55										



Good Faith Estimate (HUD-GFE) 2

Current GFE, Easier, Fixed, B, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 162,000.00	\$	\$
Your initial interest rate ¹	4.25 %	%	%
Your initial monthly amount owed	\$ 879.29	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 4,735.55	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Nandina Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.835%	\$140,740.27	\$161,676.00	\$434,644.27

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	4.50%
Principal and Interest	\$820.83
Est. Taxes + Insurance (Escrow)	\$449.65
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$1,270.48

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 85.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:
☒ cannot assume the remainder of the mortgage on the original terms.
☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

Current Final TIL, Easier, Fixed, B, Name Set 1, page 2

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Nandina Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$180,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$6,973.39
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$150.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$187,703.39
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$162,000.00
203. Existing loan(s) taken subject to	
204. Seller Credit	\$550.00
205. Pest and Survey POC by Borrower	\$214.00
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$365.04
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$173,129.04
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$187,703.39
302. Less amounts paid by/for borrower (line 220)	(\$173,129.04)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,574.35

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$180,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$180,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$9,000.00
502. Settlement charges to seller (line 1400)	\$950.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$100,000.00
505. Payoff of second mortgage loan	
506. Seller Credit	\$550.00
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$365.04
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$110,865.04
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$180,080.00
602. Less reductions in amounts due seller (line 520)	(\$110,865.04)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$69,214.96

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, Easier, Fixed, B, Name Set 1, page 2

L. Settlement Charges							
700. Total Real Estate Broker Fees				\$9,000.00	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement	
Division of commission (line 700) as follows :							
701. \$ 4,500.00	to	Alpha Real Estate Broker					
702. \$ 4,500.00	to	Omega Real Estate Broker					
703. Commission paid at settlement							
704. Deposit retained by Alpha Real Estate Broker				\$10,000.00			
800. Items Payable in Connection with Loan							
801. Our origination charge				\$ 500.00	(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen				\$ 0.00	(from GFE #2)		
803. Your adjusted origination charges					(from GFE #A)	\$500.00	
804. Appraisal fee to John Smith Appraisers, Inc. (POC \$325.00 Borrower)					(from GFE #3)		
805. Credit report to Information Inc. (POC \$24.00 Borrower)					(from GFE #3)		
806. Tax service to Info Co.					(from GFE #3)	\$150.00	
807. Flood certification to Info Co.					(from GFE #3)	\$36.00	
808.							
809.							
810.							
811.							
900. Items Required by Lender to be Paid in Advance							
901. Daily interest charges from 4/15/2013 to 5/1/2013 @ \$ 20.25 /day					(from GFE #10)	\$324.00	
902. Mortgage insurance premium for months to					(from GFE #3)		
903. Homeowner's insurance for 1 years to Insurance Co.					(from GFE #11)	\$1,344.00	
904. Property Taxes 6 months to Any County USA						\$631.80	
1000. Reserves Deposited with Lender							
1001. Initial deposit for your escrow account					(from GFE #9)	\$734.59	
1002. Homeowner's insurance 2 months @ \$ 112.00 per month				\$ 224.00			
1003. Mortgage insurance months @ \$ per month				\$			
1004. Property Taxes 2 months @ \$ 105.30 per month				\$ 210.60			
1005. HOA Dues 2 months @ \$ 150.00 per month				\$ 300.00			
1006. months @ \$ per month				\$			
1007. Aggregate Adjustment				-\$ 0.01			
1100. Title Charges							
1101. Title services and lender's title insurance					(from GFE #4)	\$1,680.00	
1102. Settlement or closing fee				\$			
1103. Owner's title insurance					(from GFE #5)	\$824.00	
1104. Lender's title insurance				\$ 820.00			
1105. Lender's title policy limit \$ 162,000.00							
1106. Owner's title policy limit \$ 180,000.00							
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.				\$ 1,315.20			
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.				\$ 328.80			
1109.							
1110.							
1111.							
1200. Government Recording and Transfer Charges							
1201. Government recording charges					(from GFE #7)	\$85.00	
1202. Deed \$ 40.00 Mortgage \$ 45.00 Release \$							
1203. Transfer taxes					(from GFE #8)		
1204. City/County tax/stamps Deed \$ Mortgage \$							\$950.00
1205. State tax/stamps Deed \$ Mortgage \$							
1206.							
1300. Additional Settlement Charges							
1301. Required services that you can shop for					(from GFE #6)	\$214.00	
1302. Pest Inspection Fee to Pests Co.				\$ 94.00			
1303. Survey Fee to Surveys Co.				\$ 120.00			
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller, POC \$750.00 Borrower)							
1305. Home Warranty Fee to XYZ Warranty Inc.						\$450.00	
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)						\$6,973.39	\$950.00

Current HUD-1, Easier, Fixed, B, Name Set 1, page 3

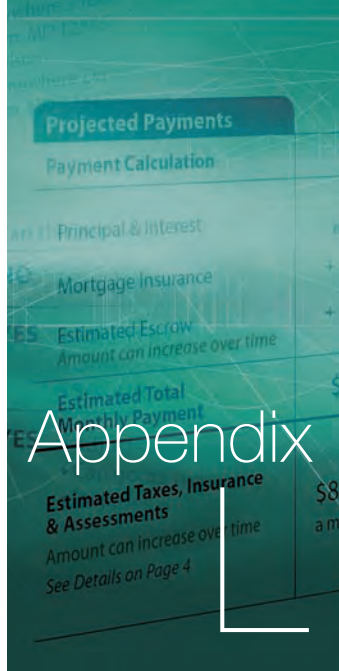
Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$500.00	\$500.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-\$500.00	\$0.00
Your adjusted origination charges	# 803	\$0.00	\$500.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$97.00	\$85.00
Appraisal Fee	# 802	\$325.00	\$325.00
Credit report	# 805	\$24.00	\$24.00
Flood certification	# 807	\$36.00	\$36.00
Tax service	# 806	\$150.00	\$150.00
Title services	# 1101	\$1,680.00	\$1,680.00
Owner's Title Insurance	# 1103	\$800.00	\$824.00
Survey Fee	# 1302	\$120.00	\$120.00
Total		\$3,232.00	\$3,244.00
Increase between GFE and HUD-1 Charges		\$ 12	or 0.37 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$434.60	\$734.59
Daily interest charges \$ 20.25 /day	# 901	\$286.95	\$324.00
Homeowner's insurance	# 903	\$672.00	\$1,344.00
Pest Inspection Fee to Pests Co.	# 1302	\$110.00	\$94.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 162,000.00
Your loan term is	30 years
Your initial interest rate is	4.50 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 903.18 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by % . Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than % .
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 367.30 that results in a total initial monthly amount owed of \$. This includes principal, interest, any mortgage insurance and any items checked below: <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Flood insurance <input type="checkbox"/> </div> <div> <input checked="" type="checkbox"/> Homeowner's insurance <input checked="" type="checkbox"/> Homeowner's Association <input type="checkbox"/> </div> </div>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Current More Challenging Fixed A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Oak Bank and Name Set 2 used Cottonwood Bank.

Truth-In-Lending Disclosure Statement

Lender: Oak Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.713%	\$261,570.95	\$309,959.65	\$731,910.60

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	4.250%
Principal and Interest	\$1,549.61
Est. Taxes + Insurance (Escrow)	\$608.25
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$2,157.86

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 150.00 Non-filing insurance \$ _____
Late Charge:	If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.
Assumption:	Someone buying your house:
<input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms.	<input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☒ may ☐ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A. _____

Date

Borrower: Mary B. _____

Date

Current GFE, More Challenging, Fixed, A, Name Set 1, page 1

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

Name of Originator	Oak Bank	Borrower	John A. and Mary B.
Originator Address	4321 Random Boulevard Somecity, ST 12340	Property Address	456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number	123-456-7890	Date of GFE	2/15/2013
Originator Email	joesmith@oakbank.com		

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
- After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 315,000.00
Your loan term is	30 years
Your initial interest rate is	4.25 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,712.36 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 6,300.00
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **1,712.36**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$4,350.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$9,705.35
A + B	Total Estimated Settlement Charges	\$ 14,055.35

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$1,200.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ <u>3,150.00</u> for this interest rate of <u>4.25</u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$3,150.00										
A Your Adjusted Origination Charges	\$ 4,350.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>400.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>30.00</td> </tr> <tr> <td>Flood Determ./Monitoring</td> <td>52.00</td> </tr> <tr> <td>Tax Status/Monitoring</td> <td>185.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	400.00	Credit Report Fee	30.00	Flood Determ./Monitoring	52.00	Tax Status/Monitoring	185.00	\$667.00
Service	Charge										
Appraisal Fee	400.00										
Credit Report Fee	30.00										
Flood Determ./Monitoring	52.00										
Tax Status/Monitoring	185.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$3,462.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$965.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>125.00</td> </tr> <tr> <td>Survey Fee</td> <td>65.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	125.00	Survey Fee	65.00	\$190.00				
Service	Charge										
Pest Inspection Fee	125.00										
Survey Fee	65.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$150.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$1,960.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other <u>Mortgage Ins.</u>	\$1,216.50										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <u>37.19</u> per day for <u>15</u> days (if your settlement is <u>4/16/2013</u>).	\$557.85										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>537.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	537.00	\$537.00						
Policy	Charge										
Hazard Insurance	537.00										
B Your Charges for All Other Settlement Services	\$ 9,705.35										
A + B Total Estimated Settlement Charges	\$ 14,055.35										



Good Faith Estimate (HUD-GFE) 2

Current GFE, More Challenging, Fixed, A, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> Your adjusted origination charges <i>(after you lock in your interest rate)</i> Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> Owner's title insurance <i>(if you use companies we identify)</i> Required services that you can shop for <i>(if you use companies we identify)</i> Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for <i>(if you do not use companies we identify)</i> Title services and lender's title insurance <i>(if you do not use companies we identify)</i> Owner's title insurance <i>(if you do not use companies we identify)</i> Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 315,000.00	\$	\$
Your initial interest rate ¹	4.25 %	%	%
Your initial monthly amount owed	\$ 1,712.36	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 14,055.35	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	Oak Bank			
Initial loan amount	\$315,000.00			
Loan term	30 years			
Initial interest rate	4.25%			
Initial monthly amount owed	\$1,712.36			
Rate lock period	60 days			
Can interest rate rise?	No			
Can loan balance rise?	No			
Can monthly amount owed rise?	No			
Prepayment penalty?	Yes			
Balloon payment?	No			
Total Estimated Settlement Charges	\$14,055.35			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Oak Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.847%	\$318,947.54	\$310,247.96	\$843,575.50

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment	First Increase (6/1/2023)
Interest Rate	4.250%	4.250%
Principal Payment	- none -	\$834.96
Interest Payment	\$1,115.62	\$1,115.62
Est. Taxes + Insurance (Escrow)	\$758.25	\$758.25
• Includes Private Mortgage Insurance		
Total Est. Monthly Payment	\$1,873.87	\$2,708.83

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 150.00 **Non-filing insurance** \$

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:
☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

Current Final TIL, More Challenging, Fixed, A, Name Set 1, page 2

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☐ may

☒ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Oak Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Avenue Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$350,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$15,645.03
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105.	
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$366,225.03
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$315,000.00
203. Existing loan(s) taken subject to	
204. Pest Inspection Fee POC Borrower	\$94.00
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$1,234.48
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$326,328.48
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$366,225.03
302. Less amounts paid by/for borrower (line 220)	(\$326,328.48)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$39,896.55

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$350,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$350,080.00
500. Reductions In Amount Due to seller	
501. Excess deposit (see instructions)	\$10,000.00
502. Settlement charges to seller (line 1400)	\$7,500.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$210,000.00
505. Payoff of second mortgage loan	
506. Survey Recertification Fee to Survey Co.	\$50.00
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$1,234.48
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$228,784.48
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$350,080.00
602. Less reductions in amounts due seller (line 520)	(\$228,784.48)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$121,295.52

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, More Challenging, Fixed, A, Name Set 1, page 2

L. Settlement Charges					
700. Total Real Estate Broker Fees			\$17,500.00		
Division of commission (line 700) as follows :					
701. \$ 8,750.00	to	Alpha Real Estate Broker			
702. \$ 8,750.00	to	Omega Real Estate Broker			
703. Commission paid at settlement					\$7,500.00
704. Deposit retained by Alpha Real Estate Broker \$10,000.00					
800. Items Payable in Connection with Loan					
801. Our origination charge	\$ 1,200.00	(from GFE #1)			
802. Your credit or charge (points) for the specific interest rate chosen	\$ 3,150.00	(from GFE #2)			
803. Your adjusted origination charges		(from GFE #A)	\$4,350.00		
804. Appraisal fee to John Smith Appraisers, Inc.(POC \$400.00 Borrower)		(from GFE #3)			
805. Credit report to Information Inc. (POC \$29.50 Borrower)		(from GFE #3)			
806. Tax service to Info Co.		(from GFE #3)	\$110.00		
807. Flood certification to Info Co.		(from GFE #3)	\$20.00		
808. Flood Monitoring Fee to Info Co. (POC \$32.00 Borrower)					
809. Tax Monitoring Fee to Info Co.			\$75.00		
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 4/15/2013 to 5/01/2013 @ \$ 37.19 /day		(from GFE #10)	\$595.04		
902. Mortgage insurance premium for months to		(from GFE #3)			
903. Homeowner's insurance for 0.5 years to Insurance Co.		(from GFE #11)	\$537.00		
904. Property Taxes 6 months to Any County USA			\$2,136.00		
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account		(from GFE #9)	\$1,190.99		
1002. Homeowner's insurance 2 months @ \$ 89.50 per month	\$ 179.00				
1003. Mortgage insurance months @ \$ per month	\$				
1004. Property Taxes 2 months @ \$ 356.00 per month	\$ 712.00				
1005. HOA Dues 2 months @ \$ 150.00 per month	\$ 300.00				
1006. months @ \$ per month	\$				
1007. Aggregate Adjustment	-\$ 0.01				
1100. Title Charges					
1101. Title services and lender's title insurance		(from GFE #4)	\$3,462.00		
1102. Settlement or closing fee	\$				
1103. Owner's title insurance		(from GFE #5)	\$965.00		
1104. Lender's title insurance	\$ 475.00				
1105. Lender's title policy limit \$ 315,000.00					
1106. Owner's title policy limit \$ 350,000.00					
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.	\$ 1,152.00				
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.	\$ 288.00				
1109.					
1110.					
1111.					
1200. Government Recording and Transfer Charges					
1201. Government recording charges		(from GFE #7)	\$150.00		
1202. Deed \$ 75.00 Mortgage \$ 75.00 Release \$					
1203. Transfer taxes		(from GFE #8)	\$1,960.00		
1204. City/County tax/stamps Deed \$ Mortgage \$					
1205. State tax/stamps Deed \$ Mortgage \$ 1,960.00					
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for		(from GFE #6)	\$94.00		
1302. Pest Inspection Fee to Pests Co.	\$ 94.00				
1303.	\$				
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)					
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,100.00 Seller)					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			\$15,645.03	\$7,500.00	

Current HUD-1, More Challenging, Fixed, A, Name Set 1, page 3

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$1,200.00	\$1,200.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$3,150.00	\$3,150.00
Your adjusted origination charges	# 803	\$4,350.00	\$4,350.00
Transfer taxes	# 1203	\$1,960.00	\$1,960.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$150.00	\$150.00
Appraisal Fee	# 802	\$400.00	\$400.00
Credit Report Fee	# 805	\$30.00	\$29.50
Flood certification/Monitoring	# 807/808	\$52.00	\$52.00
Tax service/Monitoring	# 806/809	\$185.00	\$185.00
Title services	# 1101	\$3,462.00	\$3,462.00
Owner's Title Insurance	# 1103	\$965.00	\$965.00
	#		
Total		\$5,244.00	\$5,243.50
Increase between GFE and HUD-1 Charges		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$1,216.50	\$1,190.99
Daily interest charges \$ 37.19 /day	# 901	\$557.85	\$595.04
Homeowner's insurance	# 903	\$537.00	\$537.00
Pest Inspection Fee	# 1302	\$125.00	\$94.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 315,000.00
Your loan term is	30 years
Your initial interest rate is	4.25 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,278.37 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by % . Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than % .
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 6/1/2023 and the monthly amount owed can rise to \$ 2,113.33 . The maximum it can ever rise to is \$ 2,113.33 .
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 595.50 that results in a total initial monthly amount owed of \$ 1,873.87 . This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input checked="" type="checkbox"/> HOA Dues <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Appendix

Current More Challenging Fixed B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Pine Bank and Name Set 2 used Dogwood Bank.

Truth-In-Lending Disclosure Statement

Lender: Pine Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.321%	\$328,929.70	\$314,260.10	\$803,749.80

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment	First Increase (6/1/2018)
Interest Rate	4.875%	4.875%
Principal Payment	- none -	\$538.90
Interest Payment	\$1,279.68	\$1,279.69
Est. Taxes + Insurance (Escrow)	\$608.25	\$608.25
• Includes Private Mortgage Insurance		
Total Est. Monthly Payment	\$1,887.93	\$2,426.84

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 110.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than **15** days late, you will be charged **5%** of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☐ may

☒ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date

Current GFE, More Challenging, Fixed, B, Name Set 1, page 1

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

Name of Originator	Pine Bank	Borrower	John A. and Mary B.
Originator Address	4321 Random Boulevard Somecity, ST 12340	Property Address	456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number	123-456-7890	Date of GFE	2/15/2013
Originator Email	joesmith@pinebank.com		

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
- After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 315,000.00
Your loan term is	30 years
Your initial interest rate is	4.875 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,442.43 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be in 5 years and the monthly amount owed can rise to \$ 1,981.34. The maximum it can ever rise to is \$ 1,981.34.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **1,442.43**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$600.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$10,598.90
A + B	Total Estimated Settlement Charges	\$ 11,198.90

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$1,600.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> 4.875 %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-\$1,000.00										
A Your Adjusted Origination Charges	\$ 600.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>400.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>25.00</td> </tr> <tr> <td>Flood Determination</td> <td>60.00</td> </tr> <tr> <td>Tax Status Research</td> <td>120.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	400.00	Credit Report Fee	25.00	Flood Determination	60.00	Tax Status Research	120.00	\$605.00
Service	Charge										
Appraisal Fee	400.00										
Credit Report Fee	25.00										
Flood Determination	60.00										
Tax Status Research	120.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$4,551.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$1,050.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>135.00</td> </tr> <tr> <td>Survey Fee</td> <td>120.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	135.00	Survey Fee	120.00	\$255.00				
Service	Charge										
Pest Inspection Fee	135.00										
Survey Fee	120.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$110.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$1,960.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other <input type="text"/> .	\$891.00										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <input type="text"/> 42.66 per day for <input type="text"/> 15 days (if your settlement is <input type="text"/> 4/16/2013).	\$639.90										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>537.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	537.00	\$537.00						
Policy	Charge										
Hazard Insurance	537.00										
B Your Charges for All Other Settlement Services	\$ 10,598.90										
A + B Total Estimated Settlement Charges	\$ 11,198.90										



Good Faith Estimate (HUD-GFE) 2

Current GFE, More Challenging, Fixed, B, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 315,000.00	\$	\$
Your initial interest rate ¹	4.875 %	%	%
Your initial monthly amount owed	\$ 1,442.43	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 11,198.90	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	Pine Bank			
Initial loan amount	\$315,000.00			
Loan term	30 years			
Initial interest rate	4.875%			
Initial monthly amount owed	\$1,442.43			
Rate lock period	60 days			
Can interest rate rise?	No			
Can loan balance rise?	No			
Can monthly amount owed rise?	Yes			
Prepayment penalty?	No			
Balloon payment?	No			
Total Estimated Settlement Charges	\$11,198.90			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Pine Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.602%	\$344,123.34	\$314,716.48	\$819,220.52

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment	First Increase (6/1/2018)
Interest Rate	4.875%	4.875%
Principal Payment	- none -	\$542.32
Interest Payment	\$1,287.81	\$1,287.81
Est. Taxes + Insurance (Escrow)	\$693.82	\$693.82
• Includes Private Mortgage Insurance		
Total Est. Monthly Payment	\$1,981.63	\$2,523.95

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☐ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 120.00 **Non-filing insurance** \$

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

Current Final TIL, More Challenging, Fixed, B, Name Set 1, page 2

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☐ may

☒ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Pine Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$350,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$15,392.01
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$350.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$366,322.01
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$317,000.00
203. Existing loan(s) taken subject to	
204. Pest Inspection Fee POC Borrower	\$94.00
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$1,234.48
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$328,328.48
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$366,322.01
302. Less amounts paid by/for borrower (line 220)	(\$328,328.48)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$37,993.53

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$350,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$350,080.00
500. Reductions In Amount Due to seller	
501. Excess deposit (see instructions)	\$10,000.00
502. Settlement charges to seller (line 1400)	\$7,500.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$210,000.00
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$1,234.48
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$228,734.48
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$350,080.00
602. Less reductions in amounts due seller (line 520)	(\$228,734.48)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$121,345.52

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, More Challenging, Fixed, B, Name Set 1, page 2

L. Settlement Charges					
700. Total Real Estate Broker Fees			\$17,500.00		
Division of commission (line 700) as follows :					
701. \$ 8,750.00	to	Alpha Real Estate Broker			
702. \$ 8,750.00	to	Omega Real Estate Broker			
703. Commission paid at settlement					\$7,500.00
704. Deposit retained by Alpha Real Estate Broker \$10,000.00					
800. Items Payable in Connection with Loan					
801. Our origination charge	\$ 1,600.00	(from GFE #1)			
802. Your credit or charge (points) for the specific interest rate chosen	\$ 0.00	(from GFE #2)			
803. Your adjusted origination charges		(from GFE #A)	\$1,600.00		
804. Appraisal fee to John Smith Appraisers, Inc.(POC \$400.00 Borrower)		(from GFE #3)			
805. Credit report to Information Inc. (POC \$29.50 Borrower)		(from GFE #3)			
806. Tax service to Info Co.		(from GFE #3)	\$120.00		
807. Flood certification to Info Co.		(from GFE #3)	\$60.00		
808.					
809.					
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 4/15/2013 to 5/01/2013 @ \$ 42.93 /day		(from GFE #10)	\$686.88		
902. Mortgage insurance premium for months to		(from GFE #3)			
903. Homeowner's insurance for 1 years to Insurance Co.		(from GFE #11)	\$1,074.00		
904. Property Taxes 6 months to Any County USA			\$2,136.00		
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account		(from GFE #9)	\$1,387.63		
1002. Homeowner's insurance 2 months @ \$ 89.50 per month	\$ 179.00				
1003. Mortgage insurance 2 months @ \$ 248.32 per month	\$ 496.64				
1004. Property Taxes 2 months @ \$ 356.00 per month	\$ 712.00				
1005. months @ \$ per month	\$				
1006. months @ \$ per month	\$				
1007. Aggregate Adjustment	-\$ 0.01				
1100. Title Charges					
1101. Title services and lender's title insurance		(from GFE #4)	\$4,928.00		
1102. Settlement or closing fee	\$				
1103. Owner's title insurance		(from GFE #5)	\$1,098.00		
1104. Lender's title insurance	\$ 2,234.00				
1105. Lender's title policy limit \$ 317,000.00					
1106. Owner's title policy limit \$ 350,000.00					
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.	\$ 2,665.60				
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.	\$ 666.40				
1109.					
1110.					
1111.					
1200. Government Recording and Transfer Charges					
1201. Government recording charges		(from GFE #7)	\$120.00		
1202. Deed \$ 60.00 Mortgage \$ 60.00 Release \$					
1203. Transfer taxes		(from GFE #8)	\$1,960.00		
1204. City/County tax/stamps Deed \$ Mortgage \$					
1205. State tax/stamps Deed \$ Mortgage \$ 1,960.00					
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for		(from GFE #6)	\$221.50		
1302. Pest Inspection Fee to Pests Co.	\$ 94.00				
1303. Survey Fee to Surveys Co.	\$ 127.50				
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)					
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,100.00 Seller)					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			\$15,392.01	\$7,500.00	

Current HUD-1, More Challenging, Fixed, B, Name Set 1, page 3

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$1,600.00	\$1,600.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-\$1,000.00	\$0.00
Your adjusted origination charges	# 803	\$600.00	\$1,600.00
Transfer taxes	# 1203	\$1,960.00	\$1,960.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$110.00	\$120.00
Appraisal Fee	# 802	\$400.00	\$400.00
Credit Report Fee	# 805	\$25.00	\$29.50
Flood certification	# 807	\$60.00	\$60.00
Tax service	# 806	\$120.00	\$120.00
Title services	# 1101	\$4,551.00	\$4,928.00
Owner's Title Insurance	# 1103	\$1,050.00	\$1,098.00
Survey Fee	# 1303	\$120.00	\$127.50
Total		\$6,436.00	\$6,883.00
Increase between GFE and HUD-1 Charges		\$ 447	or 6.95 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$891.00	\$1,387.63
Daily interest charges \$ 42.93 /day	# 901	\$639.90	\$686.88
Homeowner's insurance	# 903	\$537.00	\$1,074.00
Pest Inspection Fee	# 1302	\$135.00	\$94.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 317,000.00
Your loan term is	30 years
Your initial interest rate is	4.875 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,536.13 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by % . Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than % .
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 6/1/2018 and the monthly amount owed can rise to \$ 2,078.46 . The maximum it can ever rise to is \$ 2,078.46 .
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 445.50 that results in a total initial monthly amount owed of \$ 1,981.63 . This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Current Easier ARM A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Quince Bank and Name Set 2 used Elm Bank.

Truth-In-Lending Disclosure Statement

Lender: Quince Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.591%	\$101,631.52	\$120,611.00	\$222,242.52

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first seven years)	[MAXIMUM during FIRST FIVE YEARS (4/15/2013)]	MAXIMUM EVER (as early as 5/1/2022)
Interest Rate	3.750%	3.750%	9.000%
Principal and Interest	\$560.36	\$560.36	\$884.44
Total Est. Monthly Payment	\$560.36	\$560.36	\$884.44

Introductory Rate Notice

You have a discounted introductory rate of 3.750% that ends after the first seven years. In the eighth year, even if market rates do not change, this rate will increase to 4.750%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees \$ 250.00	Non-filing insurance \$ _____
Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.	
Assumption: Someone buying your house: <input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms. <input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.	

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A. _____

Date

Borrower: Mary B. _____

Date



OMB Approval No. 2502-0265

Good Faith Estimate (GFE)

Name of Originator	Quince Bank	Borrower	John A. and Mary B.
Originator Address	4321 Random Boulevard Somecity, ST 12340	Property Address	456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number	123-456-7890	Date of GFE	2/15/2013
Originator Email	joesmith@quincebank.com		

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
3. After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 121,000.00
Your loan term is	30 years
Your initial interest rate is	3.75 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 622.88 per month
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 9.00 %. The first change will be in 7 years
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be in 7 years and the monthly amount owed can rise to \$ 739.59. The maximum it can ever rise to is \$ 884.44.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ 622.88.

Do we require you to have an escrow account for your loan?

- ☒ No, you do not have an escrow account. You must pay these charges directly when due.
☐ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$700.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$4,103.00
A + B	Total Estimated Settlement Charges	\$ 4,803.00

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$700.00										
2. Your credit or charge (points) for the specific interest rate chosen <input checked="" type="checkbox"/> The credit or charge for the interest rate of <u>3.75</u> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <u> </u> for this interest rate of <u> </u> %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <u> </u> for this interest rate of <u> </u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$0.00										
A Your Adjusted Origination Charges	\$ 700.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>425.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>27.00</td> </tr> <tr> <td>Flood Determination Fee</td> <td>20.00</td> </tr> <tr> <td>Tax Status Research Fee</td> <td>120.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	425.00	Credit Report Fee	27.00	Flood Determination Fee	20.00	Tax Status Research Fee	120.00	\$592.00
Service	Charge										
Appraisal Fee	425.00										
Credit Report Fee	27.00										
Flood Determination Fee	20.00										
Tax Status Research Fee	120.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$1,513.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$844.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>125.00</td> </tr> <tr> <td>Survey Fee</td> <td>175.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	125.00	Survey Fee	175.00	\$300.00				
Service	Charge										
Pest Inspection Fee	125.00										
Survey Fee	175.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$250.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other <u> </u> .	\$0.00										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <u>12.60</u> per day for <u>15</u> days (if your settlement is <u>4/16/2013</u>).	\$189.00										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>415.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	415.00	\$415.00						
Policy	Charge										
Hazard Insurance	415.00										
B Your Charges for All Other Settlement Services	\$ 4,103.00										
A + B Total Estimated Settlement Charges	\$ 4,803.00										



Good Faith Estimate (HUD-GFE) 2

Current GFE, Easier, ARM, A, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 121,000.00	\$	\$
Your initial interest rate ¹	3.75 %	%	%
Your initial monthly amount owed	\$ 622.88	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 4,803.00	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	Quince Bank			
Initial loan amount	\$121,000.00			
Loan term	30 years			
Initial interest rate	3.75			
Initial monthly amount owed	\$622.88			
Rate lock period	60 days			
Can interest rate rise?	Yes			
Can loan balance rise?	No			
Can monthly amount owed rise?	Yes			
Prepayment penalty?	No			
Balloon payment?	No			
Total Estimated Settlement Charges	\$4,803.00			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Quince Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.592%	\$101,644.12	\$120,598.40	\$310,089.72

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first seven years)	[MAXIMUM during FIRST FIVE YEARS (4/15/2013)]	MAXIMUM EVER (as early as 5/1/2022)
Interest Rate	3.750%	3.750%	9.000%
Principal and Interest	\$560.36	\$560.36	\$884.44
Est. Taxes + Insurance (Escrow) • Includes Private Mortgage Insurance	\$306.54	\$306.54	\$244.02
Total Est. Monthly Payment	\$866.90	\$866.90	\$1,128.46

Introductory Rate Notice

You have a discounted introductory rate of 3.750% that ends after the first seven years. In the eighth year, even if market rates do not change, this rate will increase to 4.750%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☒ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 250.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

☐ may

☒ will not

have to pay a penalty.

☐ may

☒ will not

be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Quince Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$135,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$6,187.75
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$125.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$141,892.75
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$5,000.00
202. Principal amount of new loan(s)	\$121,000.00
203. Existing loan(s) taken subject to	
204. Pest Inspection Fee POC Borrower	\$110.00
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$681.20
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$126,791.20
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$141,892.75
302. Less amounts paid by/for borrower (line 220)	(\$126,791.20)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$15,101.55

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$135,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$135,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$5,000.00
502. Settlement charges to seller (line 1400)	\$3,100.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$84,000.00
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$681.20
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$92,781.20
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$135,080.00
602. Less reductions in amounts due seller (line 520)	(\$92,781.20)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$42,298.80

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, Easier, ARM, A, Name Set 1, page 2

L. Settlement Charges							
700. Total Real Estate Broker Fees \$6,750.00							
Division of commission (line 700) as follows:							
701. \$ 3,375.00	to	Alpha Real Estate Broker				Paid From Borrower's Funds at Settlement	
702. \$ 3,375.00	to	Omega Real Estate Broker					Paid From Seller's Funds at Settlement
703. Commission paid at settlement							\$1,750.00
704. Deposit retained by Alpha Real Estate Broker \$5,000							
800. Items Payable in Connection with Loan							
801. Our origination charge	\$ 700.00	(from GFE #1)					
802. Your credit or charge (points) for the specific interest rate chosen	\$ 0.00	(from GFE #2)					
803. Your adjusted origination charges		(from GFE #A)		\$700.00			
804. Appraisal fee to John Smith Appraisers, Inc. (POC \$425.00 Borrower)		(from GFE #3)					
805. Credit report to Information Inc. (POC \$27.00 Borrower)		(from GFE #3)					
806. Tax service to Info Co.		(from GFE #3)		\$120.00			
807. Flood certification to Info Co.		(from GFE #3)		\$20.00			
808.							
809.							
810.							
811.							
900. Items Required by Lender to be Paid in Advance							
901. Daily interest charges from 4/15/2013 to 5/01/2013 @ \$ 12.60 /day		(from GFE #10)		\$201.60			
902. Mortgage insurance premium for months to		(from GFE #3)					
903. Homeowner's insurance for 1 years to Insurance Co.		(from GFE #11)		\$570.00			
904. Property Taxes 6 months to Any County USA				\$1,179.12			
1000. Reserves Deposited with Lender							
1001. Initial deposit for your escrow account		(from GFE #9)		\$488.03			
1002. Homeowner's insurance 2 months @ \$ 47.50 per month	\$ 95.00						
1003. Mortgage insurance months @ \$ per month	\$						
1004. Property Taxes 2 months @ \$ 196.52 per month	\$ 393.04						
1005. months @ \$ per month	\$						
1006. months @ \$ per month	\$						
1007. Aggregate Adjustment	-\$ 0.01						
1100. Title Charges							
1101. Title services and lender's title insurance		(from GFE #4)		\$1,530.00			
1102. Settlement or closing fee	\$						
1103. Owner's title insurance		(from GFE #5)		\$844.00			
1104. Lender's title insurance	\$ 876.00						
1105. Lender's title policy limit \$ 121,000.00							
1106. Owner's title policy limit \$ 135,000.00							
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.	\$ 1,376.00						
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.	\$ 344.00						
1109.							
1110.							
1111.							
1200. Government Recording and Transfer Charges							
1201. Government recording charges		(from GFE #7)		\$250.00			
1202. Deed \$ 125.00 Mortgage \$ 125.00 Release \$							
1203. Transfer taxes		(from GFE #8)					
1204. City/County tax/stamps Deed \$ Mortgage \$							
1205. State tax/stamps Deed \$ 1,350.00 Mortgage \$						\$1,350.00	
1206.							
1300. Additional Settlement Charges							
1301. Required services that you can shop for		(from GFE #6)		\$285.00			
1302. Pest Inspection Fee to Pests Co.	\$ 110.00						
1303. Survey Fee to Surveyors Co.	\$ 175.00						
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)							
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,100.00 Seller)							
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)						\$6,187.75	\$3,100.00

Current HUD-1, Easier, ARM, A, Name Set 1, page 3

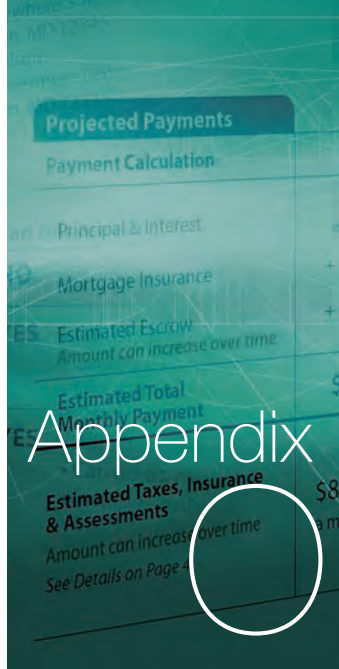
Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$700.00	\$700.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$0.00	\$0.00
Your adjusted origination charges	# 803	\$700.00	\$700.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$250.00	\$250.00
Appraisal Fee	# 802	\$425.00	\$425.00
Credit Report Fee	# 805	\$27.00	\$27.00
Flood certification fee	# 807	\$20.00	\$20.00
Tax service fee	# 806	\$120.00	\$120.00
Title services	# 1101	\$1,513.00	\$1,530.00
Owner's Title Insurance	# 1103	\$844.00	\$844.00
Survey Fee	# 1302	\$175.00	\$175.00
Total		\$3,374.00	\$3,391.00
Increase between GFE and HUD-1 Charges		\$ 17	or .5 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$0.00	\$488.03
Daily interest charges \$ 12.60 /day	# 901	\$189.00	\$201.60
Homeowner's insurance	# 903	\$415.00	\$570.00
Pest Inspection Fee	# 1302	\$125.00	\$110.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 121,000.00
Your loan term is	30 years
Your initial interest rate is	3.75 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 622.88 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 9.0 %. The first change will be on 5/1/2020 and can change again every Year after 5/1/2020. Every change date, your interest rate can increase or decrease by 2-3 %. Over the life of the loan, your interest rate is guaranteed to never be lower than 4.25 % or higher than 9.0 %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 6/1/2020 and the monthly amount owed can rise to \$ 739.59. The maximum it can ever rise to is \$ 884.44.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 244.02 that results in a total initial monthly amount owed of \$ 866.90. This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Current Easier ARM B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Redbud Bank and Name Set 2 used Fir Bank.

Truth-In-Lending Disclosure Statement

Lender: Redbud Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.294%	\$119,596.26	\$119,494.86	\$322,438.32

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first three years)	[MAXIMUM during FIRST FIVE YEARS (5/1/2016)]	MAXIMUM EVER (as early as 5/1/2022)
Interest Rate	3.375%	5.375%	9.000%
Principal and Interest	\$534.93	\$665.39	\$902.78
Est. Taxes + Insurance (Escrow) • Includes Private Mortgage Insurance	\$294.04	\$294.04	\$231.52
Total Est. Monthly Payment	\$828.97	\$959.43	\$1,134.30

Introductory Rate Notice

You have a discounted introductory rate of 3.375% that ends after the first three years. In the fourth year, even if market rates do not change, this rate will increase to 5.33%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 225.00 Non-filing insurance \$ _____
Late Charge:	If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.
Assumption: Someone buying your house: <input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms. <input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.	

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



OMB Approval No. 2502-0265

Good Faith Estimate (GFE)

Name of Originator Redbud Bank	Borrower John A. and Mary B.
Originator Address 4321 Random Boulevard Somecity, ST 12340	Property Address 456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number 123-456-7890	Date of GFE 2/15/2013
Originator Email joesmith@redbudbank.com	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through 4/16/2013 5:00PM EDT. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through 3/22/2013 5:00PM EDT.
3. After you lock your interest rate, you must go to settlement within 60 days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least N/A days before settlement.

Summary of your loan

Your initial loan amount is	\$ 121,000.00
Your loan term is	30 years
Your initial interest rate is	3.375 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 597.45 per month
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 9.00 %. The first change will be in 3 years
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be in 3 years and the monthly amount owed can rise to \$ 727.91. The maximum it can ever rise to is \$ 902.78
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ 597.45.

Do we require you to have an escrow account for your loan?

- ☐ No, you do not have an escrow account. You must pay these charges directly when due.
☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$1,460.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$4,208.18
A + B	Total Estimated Settlement Charges	\$ 5,668.18

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$250.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ 1,210.00 for this interest rate of 3.375 %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$1,210.00										
A Your Adjusted Origination Charges	\$ 1,460.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>500.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>30.00</td> </tr> <tr> <td>Flood Determination</td> <td>50.00</td> </tr> <tr> <td>Tax Status Research</td> <td>110.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	500.00	Credit Report Fee	30.00	Flood Determination	50.00	Tax Status Research	110.00	\$690.00
Service	Charge										
Appraisal Fee	500.00										
Credit Report Fee	30.00										
Flood Determination	50.00										
Tax Status Research	110.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$1,385.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$710.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>105.00</td> </tr> <tr> <td>Survey Fee</td> <td>125.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	105.00	Survey Fee	125.00	\$230.00				
Service	Charge										
Pest Inspection Fee	105.00										
Survey Fee	125.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$225.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other (Mortgage Ins. _____).	\$588.08										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ 11.34 per day for 15 days (if your settlement is 4/16/2013).	\$170.10										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>210.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	210.00	\$210.00						
Policy	Charge										
Hazard Insurance	210.00										
B Your Charges for All Other Settlement Services	\$ 4,208.18										
A + B Total Estimated Settlement Charges	\$ 5,668.18										



Good Faith Estimate (HUD-GFE) 2

Current GFE, Easier, ARM, B, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 121,000.00	\$	\$
Your initial interest rate ¹	3.375 %	%	%
Your initial monthly amount owed	\$ 597.45	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 5,668.18	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Redbud Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.401%	\$122,956.56	\$119,483.52	\$325,786.20

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first three years)	[MAXIMUM during FIRST FIVE YEARS (5/1/2016)]	MAXIMUM EVER (as early as 5/1/2022)
Interest Rate	3.375%	5.375%	9.000%
Principal and Interest	\$534.93	\$665.39	\$902.78
Est. Taxes + Insurance (Escrow) • Includes Private Mortgage Insurance	\$294.04	\$294.04	\$231.52
Total Est. Monthly Payment	\$828.97	\$959.43	\$1,134.30

Introductory Rate Notice

You have a discounted introductory rate of 3.375% that ends after the first three years. In the fourth year, even if market rates do not change, this rate will increase to 5.500%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.

☐ **Demand Feature:** This obligation has a demand feature as follows:

☒ **Variable Rate Feature:** This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.

☐ **Required Deposit:** The annual percentage rate does not take into account your required deposit.

You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345

Filing/Recording Fees \$ 240.00 **Non-filing insurance** \$ _____

Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:

☒ cannot assume the remainder of the mortgage on the original terms.

☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

Current Final TIL, Easier, ARM, B, Name Set 1, page 2

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment:

If you pay off your loan early, you

- ☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.);" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Redbud Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$135,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$6,547.63
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$125.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$142,252.63
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$5,000.00
202. Principal amount of new loan(s)	\$121,000.00
203. Existing loan(s) taken subject to	
204. Pest Inspection Fee POC Borrower	\$99.00
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$681.20
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$126,780.20
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$142,252.63
302. Less amounts paid by/for borrower (line 220)	(\$126,780.20)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$15,472.43

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$135,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$135,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$5,000.00
502. Settlement charges to seller (line 1400)	\$3,100.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$84,000.00
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$681.20
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$92,781.20
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$135,080.00
602. Less reductions in amounts due seller (line 520)	(\$92,781.20)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$42,298.80

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, Easier, ARM, B, Name Set 1, page 2

L. Settlement Charges					
700. Total Real Estate Broker Fees		\$6,750.00			
Division of commission (line 700) as follows:			Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement	
701. \$ 3,375.00	to	Alpha Real Estate Broker			
702. \$ 3,375.00	to	Omega Real Estate Broker			
703. Commission paid at settlement					\$1,750.00
704. Deposit retained by Alpha Real Estate Broker \$5,000					
800. Items Payable in Connection with Loan					
801. Our origination charge		\$ 250.00	(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen		\$ 1,210.00	(from GFE #2)		
803. Your adjusted origination charges			(from GFE #A)	\$1,460.00	
804. Appraisal fee to John Smith Appraisers, Inc. (POC \$500.00 Borrower)			(from GFE #3)		
805. Credit report to Information Inc. (POC \$30.00 Borrower)			(from GFE #3)		
806. Tax service to Info Co.			(from GFE #3)	\$110.00	
807. Flood certification to Info Co.			(from GFE #3)	\$50.00	
808.					
809.					
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 4/15/2013 to 5/01/2013 @ \$ 11.34 /day			(from GFE #10)	\$181.44	
902. Mortgage insurance premium for months to			(from GFE #3)		
903. Homeowner's insurance for 1 years to Insurance Co.			(from GFE #11)	\$420.00	
904. Property Taxes 6 months to Any County USA				\$1,179.12	
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account			(from GFE #9)	\$588.07	
1002. Homeowner's insurance 2 months @ \$ 35.00 per month		\$ 70.00			
1003. Mortgage insurance 2 months @ \$ 62.52 per month		\$ 125.04			
1004. Property Taxes 2 months @ \$ 196.52 per month		\$ 393.04			
1005. months @ \$ per month		\$			
1006. months @ \$ per month		\$			
1007. Aggregate Adjustment		-\$ 0.01			
1100. Title Charges					
1101. Title services and lender's title insurance			(from GFE #4)	\$1,385.00	
1102. Settlement or closing fee		\$			
1103. Owner's title insurance			(from GFE #5)	\$710.00	
1104. Lender's title insurance		\$ 735.00			
1105. Lender's title policy limit \$ 121,000.00					
1106. Owner's title policy limit \$ 135,000.00					
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.		\$ 1,156.00			
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.		\$ 289.00			
1109.					
1110.					
1111.					
1200. Government Recording and Transfer Charges					
1201. Government recording charges			(from GFE #7)	\$240.00	
1202. Deed \$ 120.00 Mortgage \$ 120.00 Release \$					
1203. Transfer taxes			(from GFE #8)		
1204. City/County tax/stamps Deed \$ Mortgage \$					
1205. State tax/stamps Deed \$ 1,350.00 Mortgage \$					\$1,350.00
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for			(from GFE #6)	\$224.00	
1302. Pest Inspection Fee to Pests Co.		\$ 99.00			
1303. Survey Fee to Surveyors Co.		\$ 125.00			
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)					
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,100.00 Seller)					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				\$6,547.63	\$3,100.00

Current HUD-1, Easier, ARM, B, Name Set 1, page 3

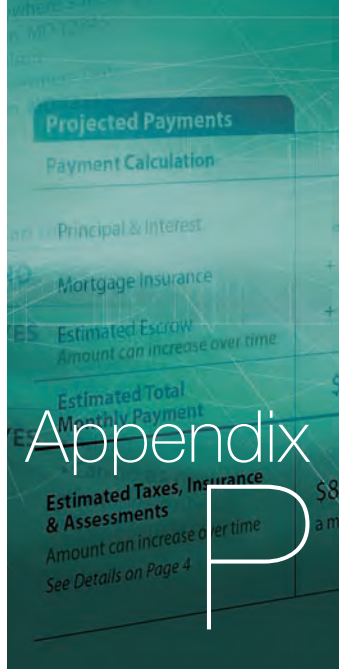
Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$250.00	\$250.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$1,210.00	\$1,210.00
Your adjusted origination charges	# 803	\$1,460.00	\$1,460.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$225.00	\$240.00
Appraisal Fee	# 802	\$500.00	\$500.00
Credit Report Fee	# 805	\$30.00	\$30.00
Flood certification fee	# 807	\$50.00	\$50.00
Tax service fee	# 806	\$110.00	\$110.00
Title services	# 1101	\$1,385.00	\$1,385.00
Owner's Title Insurance	# 1103	\$710.00	\$710.00
Survey Fee	# 1302	\$125.00	\$125.00
Total		\$3,135.00	\$3,150.00
Increase between GFE and HUD-1 Charges		\$ 15	or .48 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$588.08	\$588.07
Daily interest charges \$ 11.34 /day	# 901	\$170.10	\$181.44
Homeowner's insurance	# 903	\$210.00	\$420.00
Pest Inspection Fee	# 1302	\$105.00	\$99.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 121,000.00
Your loan term is	30 years
Your initial interest rate is	3.375 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 597.45 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 9.0 %. The first change will be on 5/1/2016 and can change again every three years after 5/1/2016. Every change date, your interest rate can increase or decrease by 2.0 %. Over the life of the loan, your interest rate is guaranteed to never be lower than 5.0 % or higher than 9.0 %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 6/1/2016 and the monthly amount owed can rise to \$ 727.91. The maximum it can ever rise to is \$ 902.78.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 231.52 that results in a total initial monthly amount owed of \$ 828.97. This includes principal, interest, any mortgage insurance and any items checked below: <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Flood insurance <input type="checkbox"/> </div> <div> <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> <input type="checkbox"/> </div> </div>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Appendix

P

Current More Challenging ARM A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Spruce Bank and Name Set 2 used Gingko Bank.

Truth-In-Lending Disclosure Statement

Lender: Spruce Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.617%	\$186,836.70	\$207,638.40	\$394,475.10

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first five years)	6/1/18 1 st adjustment	MAXIMUM during FIRST FIVE YEARS 5/1/18	MAXIMUM EVER (as early as 5/1/27)
Interest Rate	4.0%	6.0%	6.0%	12.0%
Principal Payment	-None-	\$304.48	\$304.48	\$306.04
Interest Payment	\$703.33	\$1,054.99	\$1,054.99	\$1,761.62
Total Est. Monthly Payment	\$703.33	\$1,359.47	\$1,359.47	\$2,067.66

Introductory Rate Notice

You have a discounted introductory rate of 4.0% that ends after the first five years. In the sixth year, even if market rates do not change, this rate will increase to 4.16%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 152.00 Non-filing insurance \$ _____
Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.	
Assumption: Someone buying your house: <input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms. <input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.	

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment: If you pay off your loan early, you
☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.	_____	Date	_____
Borrower: Mary B.	_____	Date	_____

Current GFE, More Challenging, ARM, A, Name Set 1, page 1

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

Name of Originator Spruce Bank	Borrower John A. and Mary B.
Originator Address 4321 Random Boulevard Somecity, ST 12340	Property Address 456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number 123-456-7890	Date of GFE 2/15/2013
Originator Email joesmith@sprucebank.com	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through 4/16/2013 5:00PM EDT. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through 3/22/2013 5:00PM EDT
3. After you lock your interest rate, you must go to settlement within 60 days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least N/A days before settlement.

Summary of your loan

Your initial loan amount is	\$ 211,000.00
Your loan term is	30 years
Your initial interest rate is	4.0 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 812.35 per month
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 12 %. The first change will be in 5 years
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be in 5 years and the monthly amount owed can rise to \$ 1,468.49. The maximum it can ever rise to is \$ 2,067.66.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ 812.35.

Do we require you to have an escrow account for your loan?

☒ No, you do not have an escrow account. You must pay these charges directly when due.

☐ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$3,510.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$5,280.60
A + B	Total Estimated Settlement Charges	\$ 8,790.60

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$1,400.00										
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ <u>2,110.00</u> for this interest rate of <u>4.0</u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$2,110.00										
A Your Adjusted Origination Charges	\$ 3,510.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>305.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>30.00</td> </tr> <tr> <td>Flood Determination Fee</td> <td>35.00</td> </tr> <tr> <td>Tax Status Research</td> <td>50.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	305.00	Credit Report Fee	30.00	Flood Determination Fee	35.00	Tax Status Research	50.00	\$420.00
Service	Charge										
Appraisal Fee	305.00										
Credit Report Fee	30.00										
Flood Determination Fee	35.00										
Tax Status Research	50.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$1,646.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$1,436.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>125.00</td> </tr> <tr> <td>Survey Fee</td> <td>150.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	125.00	Survey Fee	150.00	\$275.00				
Service	Charge										
Pest Inspection Fee	125.00										
Survey Fee	150.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$152.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.	\$0.00										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <u>23.44</u> per day for <u>15</u> days (if your settlement is <u>4/16/2013</u>).	\$351.60										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>1,000.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	1,000.00	\$1,000.00						
Policy	Charge										
Hazard Insurance	1,000.00										
B Your Charges for All Other Settlement Services	\$ 5,280.60										
A + B Total Estimated Settlement Charges	\$ 8,790.60										



Good Faith Estimate (HUD-GFE) 2

Current GFE, More Challenging, ARM, A, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> Your adjusted origination charges <i>(after you lock in your interest rate)</i> Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> Owner's title insurance <i>(if you use companies we identify)</i> Required services that you can shop for <i>(if you use companies we identify)</i> Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for <i>(if you do not use companies we identify)</i> Title services and lender's title insurance <i>(if you do not use companies we identify)</i> Owner's title insurance <i>(if you do not use companies we identify)</i> Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 211,000.00	\$	\$
Your initial interest rate ¹	4.0 %	%	%
Your initial monthly amount owed	\$ 812.35	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 8,790.60	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	Spruce Bank			
Initial loan amount	\$211,000.00			
Loan term	30 years			
Initial interest rate	4.0%			
Initial monthly amount owed	\$812.35			
Rate lock period	60 days			
Can interest rate rise?	Yes			
Can loan balance rise?	No			
Can monthly amount owed rise?	Yes			
Prepayment penalty?	No			
Balloon payment?	No			
Total Estimated Settlement Charges	\$8,790.60			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Spruce Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.872%	\$192,991.72	\$207,614.96	\$613,383.47

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

This loan offers you several monthly payment options. The table below shows you what your payments would be under two of these options **if the interest rate reached its maximum of 12%** in the 15th year of this loan.

All payments shown in the table include \$718.88 for estimated taxes and insurance (escrow).

	5 years intro	+ every 3 years after
Maximum Interest Rate	4.0% (intro rate)	6.0%
Full Payment Option <i>Monthly payments cover all principal and interest.</i>	\$1,726.33	\$2,165.21
Minimum Payment Option <i>Initial monthly payments cover no principal and only some interest and increase your loan amount.</i>	\$1,218.88	

*You will borrow an additional \$13,480.79 by 6/1/18
if you make only minimum payments on this loan.*

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 156.00 Non-filing insurance \$ _____
Late Charge: If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.	

Current Final TIL, More Challenging, ARM, A, Name Set 1, page 2

Assumption: Someone buying your house:
☒ cannot assume the remainder of the mortgage on the original terms. ☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:
 Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment: If you pay off your loan early, you
☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

 Borrower: John A.

 Date

 Borrower: Mary B.

 Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Spruce Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$240,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$12,559.43
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$125.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$253,264.43
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$211,000.00
203. Existing loan(s) taken subject to	
204.	
205. Pest Inspection Fee POC Borrower	\$115.00
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$1,560.00
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$222,675.00
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$253,264.43
302. Less amounts paid by/for borrower (line 220)	(\$222,675.00)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$30,589.43

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$240,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$240,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$10,000.00
502. Settlement charges to seller (line 1400)	\$2,660.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$160,000.00
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$1,560.00
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$174,220.00
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$240,080.00
602. Less reductions in amounts due seller (line 520)	(\$174,220.00)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$65,860.00

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, More Challenging, ARM, A, Name Set 1, page 2

L. Settlement Charges					Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Real Estate Broker Fees \$10,550						
Division of commission (line 700) as follows :						
701. \$ 5,275.00	to	Alpha Real Estate Broker				
702. \$ 5,275.00	to	Omega Real Estate Broker				
703. Commission paid at settlement						\$550.00
704. Deposit retained by Alpha Real Estate Broker \$10,000.00						
800. Items Payable in Connection with Loan						
801. Our origination charge	\$ 1,400.00	(from GFE #1)				
802. Your credit or charge (points) for the specific interest rate chosen	\$ 2,110.00	(from GFE #2)				
803. Your adjusted origination charges		(from GFE #A)		\$3,510.00		
804. Appraisal fee to John Smith Appraisers, Inc. (POC \$305.00 Borrower)		(from GFE #3)				
805. Credit report to Information Inc. (POC \$30.00 Borrower)		(from GFE #3)				
806. Tax service to Info Co.		(from GFE #3)		\$50.00		
807. Flood certification to Info Co.		(from GFE #3)		\$35.00		
808.						
809.						
810.						
811.						
900. Items Required by Lender to be Paid in Advance						
901. Daily interest charges from 4/15/2013 to 5/1/2013 @ \$ 23.44 /day		(from GFE #10)		\$375.04		
902. Mortgage insurance premium for months to		(from GFE #3)				
903. Homeowner's insurance for 1 years to Insurance Co.		(from GFE #11)		\$1,243.20		
904. Property Taxes 6 months to Any County USA				\$2,700.00		
1000. Reserves Deposited with Lender						
1001. Initial deposit for your escrow account		(from GFE #9)		\$1,107.19		
1002. Homeowner's insurance 2 months @ \$ 103.60 per month \$ 207.20						
1003. Mortgage insurance months @ \$ per month \$						
1004. Property Taxes 2 months @ \$ 450.00 per month \$ 900.00						
1005. months @ \$ per month \$						
1006. months @ \$ per month \$						
1007. Aggregate Adjustment				- \$ 0.01		
1100. Title Charges						
1101. Title services and lender's title insurance		(from GFE #4)		\$1,682.00		
1102. Settlement or closing fee	\$					
1103. Owner's title insurance		(from GFE #5)		\$1,436.00		
1104. Lender's title insurance	\$ 665.00					
1105. Lender's title policy limit \$ 211,000.00						
1106. Owner's title policy limit \$ 240,000.00						
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.	\$ 1,680.80					
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.	\$ 420.20					
1109.						
1110.						
1111.						
1200. Government Recording and Transfer Charges						
1201. Government recording charges		(from GFE #7)		\$156.00		
1202. Deed \$ 78.00 Mortgage \$ 78.00 Release \$						
1203. Transfer taxes		(from GFE #8)				
1204. City/County tax/stamps Deed \$ Mortgage \$						
1205. State tax/stamps Deed \$ 2,110.00 Mortgage \$						\$2,110.00
1206.						
1300. Additional Settlement Charges						
1301. Required services that you can shop for		(from GFE #6)		\$265.00		
1302. Pest Inspection Fee to Pests Co.	\$ 115.00					
1303. Survey Fee to Surveyors Co.	\$ 150.00					
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)						
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,110.00 Seller)						
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				\$12,559.43	\$2,660.00	

Current HUD-1, More Challenging, ARM, A, Name Set 1, page 3

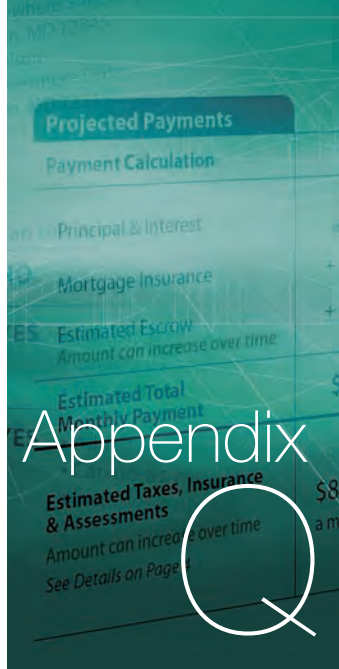
Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$1,400.00	\$1,400.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$2,110.00	\$2,110.00
Your adjusted origination charges	# 803	\$3,510.00	\$3,510.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$152.00	\$156.00
Appraisal Fee	# 802	\$305.00	\$305.00
Credit Report Fee	# 805	\$30.00	\$30.00
Flood certification	# 807	\$35.00	\$35.00
Tax service	# 806	\$50.00	\$50.00
Title services	# 1101	\$1,646.00	\$1,682.00
Owner's Title Insurance	# 1103	\$1,436.00	\$1,436.00
Survey Fee to Surveys Co.	# 1303	\$150.00	\$150.00
Total		\$3,804.00	\$3,844.00
Increase between GFE and HUD-1 Charges		\$ 40	or 1.05 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$0.00	\$1,107.19
Daily interest charges \$ 23.44 /day	# 901	\$351.60	\$375.04
Homeowner's insurance	# 903	\$1,000.00	\$1,243.20
Pest Inspection Fee	# 1302	\$125.00	\$115.00
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 211,000.00
Your loan term is	30 years
Your initial interest rate is	4.00 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 665.28 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 12 %. The first change will be on 5/01/2018 and can change again every 3 years after 5/01/2018. Every change date, your interest rate can increase or decrease by 2%. Over the life of the loan, your interest rate is guaranteed to never be lower than 3.25 % or higher than 12 %.
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of \$ 224,480.79
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 06/01/2018 and the monthly amount owed can rise to \$ 1,611.61. The maximum it can ever rise to is \$ 2,365.05.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 553.60 that results in a total initial monthly amount owed of \$ 1,218.88. This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Current More Challenging ARM B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Tulip Bank and Name Set 2 used Hornbeam Bank.

Truth-In-Lending Disclosure Statement

Lender: Tulip Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.067%	\$219,153.17	\$209,283.31	\$588,816.48

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	INTRODUCTORY Rate & Monthly Payment (for first seven years)	MAXIMUM during FIRST FIVE YEARS 4/15/2013	6/1/20 1 st adjustment	MAXIMUM EVER (as early as 5/1/23)
Interest Rate	4.25%	4.25%	5.25%	8.0%
Principal Payment	-None-	-None-	\$395.12	\$335.12
Interest Payment	\$747.29	\$747.29	\$923.12	\$1,315.94
Est. Taxes + Insurance (Escrow) • Includes Private Mortgage Insurance	\$554.52	\$554.52	\$554.52	\$554.52
Total Est. Monthly Payment	\$1,301.81	\$1,301.81	\$1,872.76	\$2,205.58

Introductory Rate Notice

You have a discounted introductory rate of 4.25% that ends after the first seven years. In the eighth year, even if market rates do not change, this rate will increase to 4.86%.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 225.00 Non-filing insurance \$ _____
Late Charge:	If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Assumption: Someone buying your house:
☒ cannot assume the remainder of the mortgage on the original terms. ☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment: If you pay off your loan early, you
☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

_____ Borrower: John A.	_____ Date
_____ Borrower: Mary B.	_____ Date



OMB Approval No. 2502-0265

Good Faith Estimate (GFE)

Name of Originator	Tulip Bank	Borrower	John A. and Mary B.
Originator Address	4321 Random Boulevard Somecity, ST 12340	Property Address	456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number	123-456-7890	Date of GFE	2/15/2013
Originator Email	joesmith@tulipbank.com		

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
3. After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 211,000.00
Your loan term is	30 years
Your initial interest rate is	4.25 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 856.31 per month
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 8.0 %. The first change will be in 7 years.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be in 7 years. and the monthly amount owed can rise to \$ 1,427.26. The maximum it can ever rise to is \$ 1,760.08.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **856.31**.

Do we require you to have an escrow account for your loan?

☐ No, you do not have an escrow account. You must pay these charges directly when due.

☒ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$1,300.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$5,995.69
A + B	Total Estimated Settlement Charges	\$ 7,295.69

Good Faith Estimate (HUD-GFE) 1

Understanding
your estimated
settlement
charges

Some of these
charges
can change
at settlement.
See the top of
page 3 for more
information.

Your Adjusted Origination Charges											
1. Our origination charge This charge is for getting this loan for you.	\$1,300.00										
2. Your credit or charge (points) for the specific interest rate chosen <input checked="" type="checkbox"/> The credit or charge for the interest rate of <u>4.25</u> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <u> </u> for this interest rate of <u> </u> %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <u> </u> for this interest rate of <u> </u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$0.00										
A Your Adjusted Origination Charges	\$ 1,300.00										
Your Charges for All Other Settlement Services											
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>450.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>25.00</td> </tr> <tr> <td>Flood Determ./Monitoring Fee</td> <td>160.00</td> </tr> <tr> <td>Tax Status/Monitoring Fee</td> <td>155.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	450.00	Credit Report Fee	25.00	Flood Determ./Monitoring Fee	160.00	Tax Status/Monitoring Fee	155.00	\$790.00
Service	Charge										
Appraisal Fee	450.00										
Credit Report Fee	25.00										
Flood Determ./Monitoring Fee	160.00										
Tax Status/Monitoring Fee	155.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$1,921.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$810.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>105.00</td> </tr> <tr> <td>Survey Fee</td> <td>125.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	105.00	Survey Fee	125.00	\$230.00				
Service	Charge										
Pest Inspection Fee	105.00										
Survey Fee	125.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$225.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other <u> </u> .	\$1,109.04										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <u>24.91</u> per day for <u>15</u> days (if your settlement is <u>4/16/2013</u>).	\$373.65										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>537.00</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	537.00	\$537.00						
Policy	Charge										
Hazard Insurance	537.00										
B Your Charges for All Other Settlement Services	\$ 5,995.69										
A + B Total Estimated Settlement Charges	\$ 7,295.69										



Good Faith Estimate (HUD-GFE) 2

Current GFE, More Challenging, ARM, B, Name Set 1, page 3

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 211,000.00	\$	\$
Your initial interest rate ¹	4.25 %	%	%
Your initial monthly amount owed	\$ 856.31	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 7,295.69	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	Tulip Bank			
Initial loan amount	\$211,000.00			
Loan term	30 years			
Initial interest rate	4.25%			
Initial monthly amount owed	\$856.31			
Rate lock period	60 days			
Can interest rate rise?	Yes			
Can loan balance rise?	No			
Can monthly amount owed rise?	Yes			
Prepayment penalty?	No			
Balloon payment?	No			
Total Estimated Settlement Charges	\$7,295.69			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



Good Faith Estimate (HUD-GFE) 3

Truth-In-Lending Disclosure Statement

Lender: Tulip Bank	Loan No. 123456789	Date: 4/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input type="checkbox"/> Preliminary	<input checked="" type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
5.335%	\$222,309.23	\$210,012.12	\$651,743.54

You have the right to receive at this time an itemization of the Amount Financed.

☐ I want an itemization.

☐ I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

This loan offers you several monthly payment options. The table below shows you what your payments would be under two of these options **if the interest rate reached its maximum of 8%** in the 10th year of this loan.

All payments shown in the table include \$712.78 for estimated taxes and insurance (escrow).

	7 years intro	+ every year after
Maximum Interest Rate	4.125% (intro rate)	4.125%
Full Payment Option <i>Monthly payments cover all principal and interest.</i>	\$1,749.93	\$1,976.54
Minimum Payment Option <i>Initial monthly payments cover no principal and only some interest and increase your loan amount.</i>	\$1,112.78	

You will borrow an additional \$22,322.19 by 6/1/18
if you make only minimum payments on this loan.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input checked="" type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees	\$ 224.00 Non-filing insurance \$ _____
Late Charge:	If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.

Current Final TIL, More Challenging, ARM, B, Name Set 1, page 2

Assumption: Someone buying your house:
☒ cannot assume the remainder of the mortgage on the original terms. ☐ may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:
 Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment: If you pay off your loan early, you
☐ may ☒ will not have to pay a penalty.
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

 Borrower: John A.

 Date

 Borrower: Mary B.

 Date



A. Settlement Statement (HUD-1)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input checked="" type="checkbox"/> Conv. Ins.		12-3456	123456789	000654321

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	E. Name & Address of Seller: Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	F. Name & Address of Lender: Tulip Bank 4321 Random Boulevard Somecity, ST 12340
G. Property Location: 456 Somewhere Ave Anytown, ST 12345	H. Settlement Agent: Epsilon Title Co. Place of Settlement: 123 Commerce Place, Somecity, ST 12344	I. Settlement Date: 04/15/2013

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	\$240,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	\$12,642.87
104. HOA Capital Contribution to HOA Acre Inc	\$500.00
105. HOA Processing Fee to HOA Acre Inc	\$125.00
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
110.	
111.	
112.	
120. Gross Amount Due from Borrower	\$253,347.87
200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	\$10,000.00
202. Principal amount of new loan(s)	\$214,000.00
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes 01/01/2013 to 04/14/2013	\$1,560.00
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	\$225,560.00
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	\$253,347.87
302. Less amounts paid by/for borrower (line 220)	(\$225,560.00)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$27,787.87

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	\$240,000.00
402. Personal property	
403.	
404.	
405.	
Adjustment for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409. HOA Dues 04/15/2013 to 04/30/2013	\$80.00
410.	
411.	
412.	
420. Gross Amount Due to Seller	\$240,080.00
500. Reductions in Amount Due to seller	
501. Excess deposit (see instructions)	\$10,000.00
502. Settlement charges to seller (line 1400)	\$2,660.00
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	\$160,000.00
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes 01/01/2013 to 04/14/2013	\$1,560.00
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	\$174,220.00
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	\$240,080.00
602. Less reductions in amounts due seller (line 520)	(\$174,220.00)
603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$65,860.00

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

Current HUD-1, More Challenging, ARM, B, Name Set 1, page 2

L. Settlement Charges					
700. Total Real Estate Broker Fees \$10,550				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :					
701. \$ 5,275.00	to	Alpha Real Estate Broker			
702. \$ 5,275.00	to	Omega Real Estate Broker			
703. Commission paid at settlement					\$550.00
704. Deposit retained by Alpha Real Estate Broker \$10,000.00					
800. Items Payable in Connection with Loan					
801. Our origination charge		\$ 1,300.00	(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen		\$ 2,140.00	(from GFE #2)		
803. Your adjusted origination charges			(from GFE #A)	\$3,440.00	
804. Appraisal fee to John Smith Appraisers, Inc. (POC \$450.00 Borrower)			(from GFE #3)		
805. Credit report to Information Inc. (POC \$25.00 Borrower)			(from GFE #3)		
806. Tax service to Info Co.			(from GFE #3)	\$40.00	
807. Flood certification to Info Co.			(from GFE #3)	\$50.00	
808. Tax Monitoring Fee to Info Co.				\$115.00	
809. Flood Monitoring Fee to Info Co.				\$110.00	
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 4/15/2013 to 5/1/2013 @ \$ 24.52 /day			(from GFE #10)	\$392.32	
902. Mortgage insurance premium for months to			(from GFE #3)		
903. Homeowner's insurance for 1 years to Insurance Co.			(from GFE #11)	\$1,170.00	
904. Property Taxes 6 months to Any County USA				\$2,700.00	
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account			(from GFE #9)	\$1,425.55	
1002. Homeowner's insurance 2 months @ \$ 97.50 per month		\$ 195.00			
1003. Mortgage insurance 2 months @ \$ 165.28 per month		\$ 330.56			
1004. Property Taxes 2 months @ \$ 450.00 per month		\$ 900.00			
1005. months @ \$ per month		\$			
1006. months @ \$ per month		\$			
1007. Aggregate Adjustment		-\$ 0.01			
1100. Title Charges					
1101. Title services and lender's title insurance			(from GFE #4)	\$1,921.00	
1102. Settlement or closing fee		\$			
1103. Owner's title insurance			(from GFE #5)	\$810.00	
1104. Lender's title insurance		\$ 892.00			
1105. Lender's title policy limit \$ 214,000.00					
1106. Owner's title policy limit \$ 240,000.00					
1107. Agent's portion of the total title insurance premium to Epsilon Title Co.		\$ 1,361.60			
1108. Underwriter's portion of the total title insurance premium to Underwriter Inc.		\$ 340.40			
1109.					
1110.					
1111.					
1200. Government Recording and Transfer Charges					
1201. Government recording charges			(from GFE #7)	\$224.00	
1202. Deed \$ 112.00 Mortgage \$ 112.00 Release \$					
1203. Transfer taxes			(from GFE #8)		
1204. City/County tax/stamps Deed \$ Mortgage \$					
1205. State tax/stamps Deed \$ 2,110.00 Mortgage \$					\$2,110.00
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for			(from GFE #6)	\$245.00	
1302. Pest Inspection Fee to Pests Co.		\$ 115.00			
1303. Survey Fee to Surveyors Co.		\$ 130.00			
1304. Home Inspection Fee to Engineers Inc. (POC \$750.00 Seller)					
1305. Structural Inspection Fee to Structural Engineers Inc. (POC \$1,100.00 Seller)					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				\$12,642.87	\$2,660.00

Current HUD-1, More Challenging, ARM, B, Name Set 1, page 3

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$1,300.00	\$1,300.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$0.00	\$2,140.00
Your adjusted origination charges	# 803	\$1,300.00	\$3,440.00
Transfer taxes	# 1203	\$0.00	\$0.00

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$225.00	\$224.00
Appraisal Fee	# 802	\$450.00	\$450.00
Credit report	# 805	\$25.00	\$25.00
Flood certification/Monitoring	# 807/809	\$160.00	\$160.00
Tax service/Monitoring	# 806/808	\$155.00	\$155.00
Title services/Owner's Title Insurance	# 1101/1103	\$2,731.00	\$2,731.00
Pest Inspection Fee	# 1301	\$105.00	\$115.00
Survey Fee	# 1302	\$125.00	\$130.00
Total		\$3,976.00	\$3,990.00
Increase between GFE and HUD-1 Charges		\$ 14	or 0.35 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001	\$1,109.04	\$1,425.55
Daily interest charges \$ 24.52 /day	# 901	\$373.65	\$392.32
Homeowner's insurance	# 903	\$537.00	\$1,170.00
	#		
	#		
	#		

Loan Terms	
Your initial loan amount is	\$ 214,000.00
Your loan term is	30 years
Your initial interest rate is	4.125 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 565.28 includes <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 8.0 %. The first change will be on 5/1/2020 and can change again every year after 5/1/2020. Every change date, your interest rate can increase or decrease by 1.0 %. Over the life of the loan, your interest rate is guaranteed to never be lower than 4.5 % or higher than 8.0 %.
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of \$ 236,322.19
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, the first increase can be on 6/1/2018 and the monthly amount owed can rise to \$ 1,429.04. The maximum it can ever rise to is \$ 1,924.36.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 547.50 that results in a total initial monthly amount owed of \$ 1,112.78. This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Proposed Easier Fixed A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Aspen Bank and Name Set 2 used Maple Bank.

Proposed Loan Estimate, Easier, Fixed, A, Name Set 1, page 1

ASPEN BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms

Loan Amount

\$162,000

Can this amount increase after closing?

NO

Interest Rate

3.875%

NO

Monthly Principal & Interest

\$761.78

NO

See Projected Payments below for your Estimated Total Monthly Payment

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

+ —

Estimated Escrow
Amount can increase over time

+ 206

+ 206

Estimated Total Monthly Payment

\$1,050

\$968

Estimated Taxes, Insurance & Assessments
Amount can increase over time

\$206
 a month

This estimate includes

☒ Property Taxes
☒ Homeowner's Insurance
☐ Other:

In escrow?

YES
YES

See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

Cash to Close

Estimated Cash to Close

\$16,054

Includes \$8,054 in Closing Costs (\$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097

B. Services You Cannot Shop For	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender's Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261

D. TOTAL LOAN COSTS (A + B + C)	\$5,672
--	----------------

Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	

F. Prepays	\$867
Homeowner's Insurance Premium (.6 months)	\$605
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211

H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---	----------------

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$8,054
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0

Estimated Cash to Close	\$16,054
--------------------------------	-----------------

Additional Information About This Loan

LENDER Aspen Bank
NMLS/LICENSE ID
LOAN OFFICER Joe Smith
NMLS ID 12345
EMAIL joesmith@aspenbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$56,582	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$15,773	Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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
LOAN ESTIMATE		PAGE 3 OF 3 • LOAN ID #123456789	

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Cash to Close		
Cash to Close	\$14,147.26	Includes \$9,712.10 in Closing Costs (\$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, Easier, Fixed, A, Name Set 1, page 2

QUANTITATIVE STUDY OF THE CURRENT AND INTEGRATED TILA-RESPA DISCLOSURES

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
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 Policy 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					
E. Taxes and Other Government Fees	\$85.00				
01 Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02 State Transfer Tax			\$950.00		
F. Prepays	\$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 Costs	\$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 Policy (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

Proposed Closing Disclosure, Easier, Fixed, A, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	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 (Included in 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

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30

Adjustments

04	
05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing

01	Deposit	\$10,000.00
02	Loan Amount	\$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to	
04		
05	Seller Credit	\$2,500.00

Other Credits

06	Rebate from Epsilon Title Co.	\$750.00
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Adjustments

08	
09	
10	
11	

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04

Cash to Close ☒ **From** ☐ **To Borrower** **\$14,147.26**

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing

01	Excess Deposit	
02	Closing Costs Paid at Closing (J)	\$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to	
04	Payoff of First Mortgage Loan	\$100,000.00
05	Payoff of Second Mortgage Loan	

06		
07		
08	Seller Credit	\$2,500.00

Adjustments

09	
10	
11	
12	
13	

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$115,665.04

Cash ☐ **From** ☒ **To Seller** **\$64,414.96**

Proposed Closing Disclosure, Easier, Fixed, A, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> 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.

Proposed Closing Disclosure, Easier, Fixed, A, Name Set 1, page 5

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%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Aspen 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ aspenbank.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

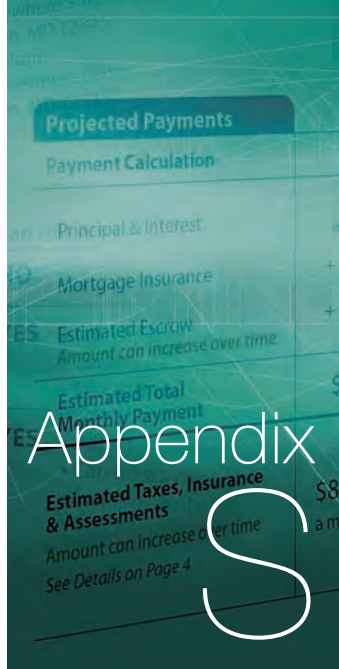
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed Easier Fixed B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Balsam Bank and Name Set 2 used Nandina Bank.

Proposed Loan Estimate, Easier, Fixed, B, Name Set 1, page 1

BALSAM BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☒ NO ☐ YES, until at

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on **3/22/2013** at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$796.94	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments		
Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$796.94	\$796.94
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 217	+ 217
Estimated Total Monthly Payment	\$1,096	\$1,014
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$217 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>
		In escrow? YES YES

Cash to Close	
Estimated Cash to Close	\$12,736 Includes \$4,736 in Closing Costs (\$2,945 in Loan Costs + \$2,291 in Other Costs – \$500 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$500
% of Loan Amount (Points)	
Application Fee	\$500

B. Services You Cannot Shop For	\$535
Appraisal Fee	\$325
Credit Report Fee	\$24
Flood Certification Fee	\$36
Tax Status Research Fee	\$150

C. Services You Can Shop For	\$1,910
Pest Inspection Fee	\$110
Survey Fee	\$120
Title – Lender's Title Policy	\$820
Title – Settlement Agent Fee	\$350
Title – Title Search	\$510

D. TOTAL LOAN COSTS (A + B + C)	\$2,945
--	----------------

Other Costs

E. Taxes and Other Government Fees	\$97
Recording Fees and Other Taxes	\$97
Transfer Taxes	

F. Prepays	\$959
Homeowner's Insurance Premium (_ 6_ months)	\$672
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$19.13 per day for 15 days @ 4.25%)	\$287
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing	\$435
Homeowner's Insurance \$112.00 per month for 2 mo.	\$224
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211

H. Other	\$800
Title – Owner's Title Policy (optional)	\$800

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,291
---	----------------

J. TOTAL CLOSING COSTS	\$4,736
D + I	\$5,236
Lender Credits	– \$500

Calculating Cash to Close

Total Closing Costs (J)	\$4,736
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$12,736

Proposed Loan Estimate, Easier, Fixed, B, Name Set 1, page 3

Additional Information About This Loan

LENDER Balsam Bank
NMLS/LICENSE ID
LOAN OFFICER Joe Smith
NMLS ID 12345
EMAIL joesmith@balsambank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	\$55,989 Total you will have paid in principal, interest, mortgage insurance, and loan costs. \$14,892 Principal you will have paid off.
Annual Percentage Rate (APR)	4.581% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.28% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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

LOAN ESTIMATE

PAGE 3 OF 3 • LOAN ID #123456789

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Cash to Close	
Cash to Close	\$14,574.35 Includes \$8,722.39 in Closing Costs (\$2,929.00 in Loan Costs + \$5,793.39 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, Easier, Fixed, B, Name Set 1, page 2

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$500.00				
01 % of Loan Amount (Points)					
02 Application Fee	\$500.00				
03					
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$2,335.00				
01 Appraisal Fee to John Smith Appraisers Inc.		\$325.00			
02 Credit Report Fee to Information Inc.		\$24.00			
03 Flood Certification Fee to Info Co.	\$36.00				
04 Survey Fee to Surveys Co.		\$120.00			
05 Tax Status Research Fee to Info Co.	\$150.00				
06 Title – Lender's Title Policy to Epsilon Title Co.	\$820.00				
07 Title – Settlement Agent Fee to Epsilon Title Co.	\$350.00				
08 Title – Title Search to Epsilon Title Co.	\$510.00				
09					
10					
C. Services Borrower Did Shop For	\$94.00				
01 Pest Inspection Fee to Pests Co.		\$94.00			
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$2,929.00				
Loan Costs Subtotals (A + B + C)	\$2,366.00	\$563.00			
Other Costs					
E. Taxes and Other Government Fees	\$85.00				
01 Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02 State Transfer Tax			\$950.00		
F. Prepays	\$2,299.80				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,344.00				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$20.25 per day from 4/15/13 to 5/1/13	\$324.00				
04 Property Taxes (6 mo.) to Any County USA	\$631.80				
05					
G. Initial Escrow Payment at Closing	\$734.59				
01 Homeowner's Insurance \$112.00 per month for 2 mo.	\$224.00				
02 Mortgage Insurance per month for mo.					
03 Property Taxes \$105.30 per month for 2 mo.	\$210.60				
04 HOA Dues \$150.00 per month for 2 mo.	\$300.00				
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other Costs	\$2,674.00				
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			\$4,500.00		
06 Real Estate Commission to Omega Real Estate Broker			\$4,500.00		
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$824.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$5,793.39				
Other Costs Subtotals (E + F + G + H)	\$5,043.39	\$750.00			
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$8,722.39				
Closing Costs Subtotals (D + I)	\$7,409.39	\$1,313.00	\$9,950.00	\$750.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, Easier, Fixed, B, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$4,735.00	\$8,722.39	YES • See Total Loan Costs (D) and Total Other Costs (I) • Increase exceeds legal limits by \$500
Closing Costs Paid Before Closing	\$0	– \$1,313.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in 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	– \$550.00	YES • See Seller Credits in Section L
Adjustments and Other Credits	\$0	– \$285.04	YES • See details in Sections K and L
Cash to Close	\$12,735.00	\$14,574.35	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$187,489.39
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$7,409.39

Adjustments

04
05
06
07

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing

01	Deposit	\$10,000.00
02	Loan Amount	\$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to	
04		
05	Seller Credit	\$550.00

Other Credits

06
07

Adjustments

08
09
10
11

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$187,489.39
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$172,915.04

Cash to Close ☒ **From** ☐ **To Borrower** **\$14,574.35**

SELLER'S TRANSACTION

M. Due to Seller at Closing		\$180,080.00
01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		

Adjustments for Items Paid by Seller in Advance

Payments for Items 9 and 10 below in Advance				
09	City/Town Taxes		to	
10	County Taxes		to	
11	Assessments		to	
12	HOA Dues	4/15/13	to 4/30/13	\$80.00
13				
14				
15				
16				

N. Due from Seller at Closing

01	Excess Deposit	
02	Closing Costs Paid at Closing (J)	\$9,950.00
03	Existing Loan(s) Assumed or Taken Subject to	
04	Payoff of First Mortgage Loan	\$100,000.00
05	Payoff of Second Mortgage Loan	

06	
07	
08	Seller Credit \$550.00

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$365.04
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$110,865.04

Cash ☐ **From** ☒ **To Seller** **\$69,214.96**

Proposed Closing Disclosure, Easier, Fixed, B, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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	\$4,407.60	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes, HOA Dues</i>
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.
Initial Escrow Payment	\$734.59	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$367.30	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.

Proposed Closing Disclosure, Easier, Fixed, B, Name Set 1, page 5

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.	\$305,669.27
Finance Charge. The dollar amount the loan will cost you.	\$140,740.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$161,676.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.835%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	82.61%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Balsam 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ balsambank.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



Proposed More Challenging Fixed A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Cottonwood Bank and Name Set 2 used Oak Bank.

Proposed Loan Estimate, More Challenging, Fixed, A, Name Set 1, page 1

COTTONWOOD BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$350,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms

Can this amount increase after closing?

Loan Amount	\$315,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$1,549.61	NO
Does the loan have these features?		
Prepayment Penalty	YES • As high as \$6,300 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	\$1,549.61	\$1,549.61
Mortgage Insurance	+ 163	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 446	+ 446
Estimated Total Monthly Payment	\$2,159	\$1,996
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$446 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>
		In escrow? YES YES

Cash to Close

Estimated Cash to Close	\$39,056	Includes \$14,056 in Closing Costs (\$8,669 in Loan Costs + \$5,387 in Other Costs – \$0 in Lender Credits). See details on page 2.
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Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$4,350
1 % of Loan Amount (Points)	\$3,150
Application Fee	\$300
Underwriting Fee	\$900

B. Services You Cannot Shop For	\$667
Appraisal Fee	\$400
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$3,652
Pest Inspection Fee	\$125
Survey Fee	\$65
Title – Commitment Letter	\$525
Title – Lender's Title Policy	\$475
Title – Settlement Agent Fee	\$550
Title – Title Search	\$1,912

D. TOTAL LOAN COSTS (A + B + C)	\$8,669
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Other Costs

E. Taxes and Other Government Fees	\$2,110
Recording Fees and Other Taxes	\$150
Transfer Taxes	\$1,960

F. Prepaids	\$1,095
Homeowner's Insurance Premium (_6_ months)	\$537
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$37.19 per day for 15 days @ 4.25%)	\$558
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing		\$1,217
Homeowner's Insurance	\$89.50 per month for 2 mo.	\$179
Mortgage Insurance	\$162.75 per month for 2 mo.	\$326
Property Taxes	\$356.00 per month for 2 mo.	\$712

H. Other	\$965
Title – Owner's Title Policy (optional)	\$965

I. TOTAL OTHER COSTS (E + F + G + H)	\$5,387
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J. TOTAL CLOSING COSTS	\$14,056
D + I	\$14,056
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$14,056
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$35,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$39,056

Additional Information About This Loan

LENDER	Cottonwood Bank	MORTGAGE BROKER
NMLS/LICENSE ID		NMLS/LICENSE ID
LOAN OFFICER	Joe Smith	LOAN OFFICER
NMLS ID	12345	NMLS ID
EMAIL	joesmith@cottonwoodbank.com	EMAIL
PHONE	123-456-7890	PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$112,294	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$28,956	Principal you will have paid off.
Annual Percentage Rate (APR)	4.713%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.28%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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
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Proposed Closing Disclosure, More Challenging, Fixed, A, Name Set 1, page 2

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$4,350.00				
01 1 % of Loan Amount (Points)	\$3,150.00				
02 Application Fee	\$300.00				
03 Underwriting Fee	\$900.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$4,128.50				
01 Appraisal Fee to John Smith Appraisers Inc.		\$400.00			
02 Credit Report Fee to Information Inc.		\$29.50			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Flood Monitoring Fee to Info Co.		\$32.00			
05 Tax Monitoring Fee to Info Co.	\$75.00				
06 Tax Status Research Fee to Epsilon Title Co.	\$110.00				
07 Title – Commitment Letter to Epsilon Title Co.	\$525.00				
08 Title – Lender's Title Policy to Epsilon Title Co.	\$475.00				
09 Title – Settlement Agent Fee to Epsilon Title Co.	\$550.00				
10 Title – Title Search to Epsilon Title Co.	\$1,912.00				
C. Services Borrower Did Shop For	\$94.00				
01 Pest Inspection Fee to Pests Co.		\$94.00			
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$8,572.50				
Loan Costs Subtotals (A + B + C)	\$8,017.00	\$555.50			
Other Costs					
E. Taxes and Other Government Fees	\$2,110.00				
01 Recording Fees Deed: \$75.00 Mortgage: \$75.00	\$150.00				
02 State Transfer Tax	\$1,960.00				
F. Prepaids	\$3,268.04				
01 Homeowner's Insurance Premium (6 mo.) to Insurance Co.	\$537.00				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$37.19 per day from 4/15/13 to 5/1/13	\$595.04				
04 Property Taxes (6 mo.) to Any County USA	\$2,136.00				
05					
G. Initial Escrow Payment at Closing	\$1,190.99				
01 Homeowner's Insurance \$89.50 per month for 2 mo.	\$179.00				
02 Mortgage Insurance per month for mo.					
03 Property Taxes \$356.00 per month for 2 mo.	\$712.00				
04 HOA Dues \$150.00 per month for 2 mo.	\$300.00				
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other Costs	\$1,465.00				
01 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02 Home Inspection Fee to Engineers Inc.				\$750.00	
03 Real Estate Commission to Alpha Real Estate Broker			\$8,750.00		
04 Real Estate Commission to Omega Real Estate Broker			\$8,750.00		
05 Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
06 Survey Recertification Fee to Survey Co.			\$50.00		
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$965.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$8,034.03				
Other Costs Subtotals (E + F + G + H)	\$8,034.03				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$16,606.53				
Closing Costs Subtotals (D + I)	\$16,051.03	\$555.50	\$17,550.00	\$1,850.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, More Challenging, Fixed, A, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$14,056.00	\$16,606.53	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$555.50	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$35,000.00	\$35,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$1,154.48	YES • See details in Sections K and L
Cash to Close	\$39,056.00	\$39,896.55	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$366,131.03
01 Sale Price of Property	\$350,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$16,051.03
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	\$326,234.48
01 Deposit	\$10,000.00
02 Loan Amount	\$315,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	
Other Credits	
06	
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$1,234.48
13 County Taxes to	
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	\$366,131.03
Total Paid Already by or on Behalf of Borrower at Closing (L) –	\$326,234.48
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$39,896.55

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$350,080.00
01 Sale Price of Property	\$350,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
10 County Taxes to	
11 Assessments to	
12 HOA Dues 4/15/13 to 4/30/13	\$80.00
13	
14	
15	
16	
N. Due from Seller at Closing	\$228,784.48
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$17,550.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$210,000.00
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/13 to 4/14/13	\$1,234.48
15 County Taxes to	
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	\$350,080.00
Total Due from Seller at Closing (N) –	\$228,784.48
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$121,295.52

CLOSING DISCLOSURE

PAGE 3 OF 5 • LOAN ID # 123456789

APPENDIX T: PROPOSED MORE CHALLENGING FIXED A DISCLOSURES

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 Payment

Your lender will

☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

☒ not accept 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.

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 120 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,951 at 121st payment
Subsequent Changes	No subsequent changes
Maximum Payment	\$1,951 starting at 121st payment

CLOSING DISCLOSURE

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	\$7,146.00	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes, HOA Dues</i>
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.
Initial Escrow Payment	\$1,190.99	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$595.50	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.

Proposed Closing Disclosure, More Challenging, Fixed, A, Name Set 1, page 5

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.	\$638,363.04
Finance Charge. The dollar amount the loan will cost you.	\$318,947.54
Amount Financed. The loan amount available after paying your upfront finance charge.	\$310,247.96
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.847%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	91.31%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Cottonwood 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ cottonwoodbank.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

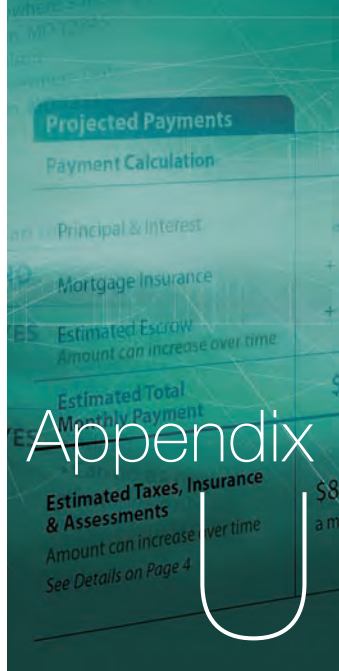
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed More Challenging Fixed B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Dogwood Bank and Name Set 2 used Pine Bank.

Proposed Loan Estimate, More Challenging, Fixed, B, Name Set 1, page 1

DOGWOOD BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$350,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 5 Year Interest Only, Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$315,000	NO	
Interest Rate	4.875%	NO	
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$1,279.68	YES	<ul style="list-style-type: none"> Increases to \$1,819 in year 6 Includes only interest and no principal until year 6 See AP Table on page 2 for details
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments			
Payment Calculation	Years 1-5	Years 6-10	Years 11-30
Principal & Interest	\$1,279.68 <i>only interest</i>	\$1,818.59	\$1,818.59
Mortgage Insurance	+ 163	+ 163	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 446	+ 446	+ 446
Estimated Total Monthly Payment	\$1,889	\$2,428	\$2,265
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$446 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	
		In escrow? YES YES	

Cash to Close	
Estimated Cash to Close	\$36,199 Includes \$11,199 in Closing Costs (\$7,011 in Loan Costs + \$5,188 in Other Costs – \$1,000 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,600
% of Loan Amount (Points)	
Application Fee	\$500
Origination Fee	\$1,100

B. Services You Cannot Shop For	\$605
Appraisal Fee	\$400
Credit Report Fee	\$25
Flood Determination Fee	\$60
Tax Status Research Fee	\$120

C. Services You Can Shop For	\$4,806
Pest Inspection Fee	\$135
Survey Fee	\$120
Title – Commitment Letter	\$747
Title – Lender's Title Policy	\$1,978
Title – Settlement Agent Fee	\$726
Title – Title Search	\$1,100

D. TOTAL LOAN COSTS (A + B + C)	\$7,011
--	----------------

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,819 at 61st payment
Subsequent Changes	No subsequent changes
Maximum Payment	\$1,819 starting at 61st payment

Other Costs

E. Taxes and Other Government Fees	\$2,070
Recording Fees and Other Taxes	\$110
Transfer Taxes	\$1,960

F. Prepays	\$1,177
Homeowner's Insurance Premium (_6_ months)	\$537
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$42.66 per day for 15 days @ 4.875%)	\$640
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing	\$891
Homeowner's Insurance	\$89.50 per month for 2 mo. \$179
Mortgage Insurance	per month for mo.
Property Taxes	\$356.00 per month for 2 mo. \$712

H. Other	\$1,050
Title – Owner's Title Policy (optional)	\$1,050

I. TOTAL OTHER COSTS (E + F + G + H)	\$5,188
---	----------------

J. TOTAL CLOSING COSTS	\$11,199
D + I	\$12,199
Lender Credits	– \$1,000

Calculating Cash to Close

Total Closing Costs (J)	\$11,199
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$35,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$36,199

Additional Information About This Loan

LENDER Dogwood Bank
NMLS/LICENSE ID
LOAN OFFICER Joe Smith
NMLS ID 12345
EMAIL joesmith@dogwoodbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	\$94,197 \$0	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	5.321%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	97.78%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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

LOAN ESTIMATE

PAGE 3 OF 3 • LOAN ID #123456789

Proposed Closing Disclosure, More Challenging, Fixed, B, Name Set 1, page 1

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	John A. and Mary B.	Loan Term	30 years
Closing Date	4/15/2013		123 Anywhere Street	Purpose	Purchase
Disbursement Date	4/15/2013		Anytown, ST 12345	Product	5 Year Interest Only,
Settlement Agent	Epsilon Title Co.	Seller	Steve C. and Amy D.		Fixed Rate
File #	12-3456		321 Somewhere Drive	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA
Property	456 Somewhere Ave		Anytown, ST 12345		<input type="checkbox"/> VA <input type="checkbox"/> _____
	Anytown, ST 12345	Lender	Dogwood Bank	Loan ID #	123456789
Sale Price	\$350,000			MIC #	000654321

Loan Terms		Can this amount increase after closing?
Loan Amount	\$317,000	NO
Interest Rate	4.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$1,287.81	YES <ul style="list-style-type: none">Increases to \$1,830 in year 6Includes only interest and no principal until year 6See AP Table on page 4 for details
		Does the loan have these features?
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments			
Payment Calculation	Years 1-5	Years 6-10	Years 11-30
Principal & Interest	\$1,287.81 <i>only interest</i>	\$1,830.14	\$1,830.14
Mortgage Insurance	+ 248.32	+ 248.32	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 445.50	+ 445.50	+ 445.50
Estimated Total Monthly Payment	\$1,981.63	\$2,523.96	\$2,275.64
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> <i>See Details on Page 4</i>	\$595.50 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association <i>See page 4 for escrowed property costs. You must pay for other property costs separately.</i>	In escrow? YES YES NO

Cash to Close		
Cash to Close	\$37,993.53	Includes \$16,671.51 in Closing Costs (\$7,359.00 in Loan Costs + \$9,312.51 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, More Challenging, Fixed, B, Name Set 1, page 2

QUANTITATIVE STUDY OF THE CURRENT AND INTEGRATED TILA-RESPA DISCLOSURES

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$1,600.00				
01 % of Loan Amount (Points)					
02 Application Fee	\$500.00				
03 Origination Fee	\$1,100.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$5,665.00				
01 Appraisal Fee to John Smith Appraisers Inc.		\$400.00			
02 Credit Report Fee to Info Co.		\$29.50			
03 Flood Determination Fee to Info Co.	\$60.00				
04 Survey Fee to Surveys Co.	\$127.50				
05 Tax Status Research Fee to Info Co.	\$120.00				
06 Title – Commitment Letter to Epsilon Title Co.	\$767.00				
07 Title – Lender's Title Policy to Epsilon Title Co.	\$2,234.00				
08 Title – Settlement Agent Fee to Epsilon Title Co.	\$730.00				
09 Title – Title Search to Epsilon Title Co.	\$1,197.00				
10					
C. Services Borrower Did Shop For	\$94.00				
01 Pest Inspection Fee to Pests Co.		\$94.00			
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$7,359.00				
Loan Costs Subtotals (A + B + C)	\$6,835.50	\$523.50			
Other Costs					
E. Taxes and Other Government Fees	\$2,080.00				
01 Recording Fees Deed: \$60.00 Mortgage: \$60.00	\$120.00				
02 State Transfer Tax	\$1,960.00				
F. Prepays	\$3,896.88				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,074.00				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$42.93 per day from 4/15/13 to 5/1/13	\$686.88				
04 Property Taxes (6 mo.) to Any County USA	\$2,136.00				
05					
G. Initial Escrow Payment at Closing	\$1,387.63				
01 Homeowner's Insurance \$89.50 per month for 2 mo.	\$179.00				
02 Mortgage Insurance \$248.32 per month for 2 mo.	\$496.64				
03 Property Taxes \$356.00 per month for 2 mo.	\$712.00				
04					
05					
06					
07					
08 Aggregate Adjustment	- 0.01				
H. Other Costs	\$1,948.00				
01 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02 HOA Processing Fee to HOA Acre Inc.	\$350.00				
03 Home Inspection Fee to Engineers Inc.				\$750.00	
04 Real Estate Commission to Alpha Real Estate Broker			\$8,750.00		
05 Real Estate Commission to Omega Real Estate Broker			\$8,750.00		
06 Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$1,098.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$9,312.51				
Other Costs Subtotals (E + F + G + H)	\$9,312.51				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$16,671.51				
Closing Costs Subtotals (D + I)	\$16,148.01	\$523.50	\$17,500.00	\$1,850.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, More Challenging, Fixed, B, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$11,199.00	\$16,671.51	YES • See Total Loan Costs (D) and Total Other Costs (I) • Increase exceeds legal limits by \$1,000
Closing Costs Paid Before Closing	\$0	– \$523.50	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	– \$2,000.00	YES • You included these Closing Costs in your Loan Amount, which increased your Loan Amount
Down Payment/Funds from Borrower	\$35,000.00	\$35,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$1,154.48	YES • See details in Sections K and L
Cash to Close	\$36,199.00	\$37,993.53	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$366,228.01
01 Sale Price of Property	\$350,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$16,148.01

Adjustments

04	
05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing	\$328,234.48
01 Deposit	\$10,000.00
02 Loan Amount	\$317,000.00

03 Existing Loan(s) Assumed or Taken Subject to

04
05 Seller Credit

Other Credits

06	
07	

Adjustments

08	
09	
10	
11	

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$1,234.48
13	County Taxes	to	
14	Assessments	to	

15	
16	
17	

CALCULATION

Total Due from Borrower at Closing (K)	\$366,228.01
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$328,234.48

Cash to Close ☒ **From** ☐ **To Borrower** **\$37,993.53**

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$350,080.00
01 Sale Price of Property	\$350,000.00
02 Sale Price of Any Personal Property Included in Sale	

03
04
05
06
07
08

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing	\$228,734.48
--------------------------------------	---------------------

01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$17,500.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$210,000.00
05 Payoff of Second Mortgage Loan	

06	
07	
08 Seller Credit	

09	
10	
11	
12	
13	

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$1,234.48
15	County Taxes	to	
16	Assessments	to	

17	
18	
19	

CALCULATION

Total Due to Seller at Closing (M)	\$350,080.00
Total Due from Seller at Closing (N)	– \$228,734.48

Cash ☐ **From** ☒ **To Seller** **\$121,345.52**

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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.

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,830 at 61st payment
Subsequent Changes	No subsequent changes
Maximum Payment	\$1,830 starting at 61st payment

CLOSING DISCLOSURE

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	\$5,346.00	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>HOA Dues</i> You may have other property costs.
Initial Escrow Payment	\$1,387.63	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$445.50	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.

Proposed Closing Disclosure, More Challenging, Fixed, B, Name Set 1, page 5

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.	\$667,383.04
Finance Charge. The dollar amount the loan will cost you.	\$344,123.34
Amount Financed. The loan amount available after paying your upfront finance charge.	\$314,716.48
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	5.602%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	97.79%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Dogwood 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ dogwoodbank.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

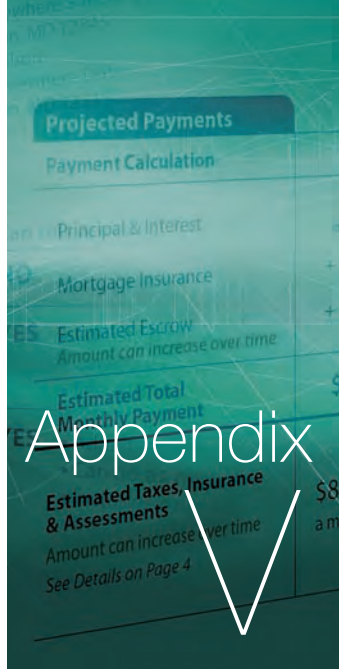
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed Easier ARM A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Elm Bank and Name Set 2 used Quince Bank.

Proposed Loan Estimate, Easier, ARM, A, Name Set 1, page 1

ELM BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$135,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 7/1 Adjustable Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$121,000	NO	
Interest Rate	3.75%	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 8 Can go as high as 9% in year 10 See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$560.36	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 8 Can go as high as \$884 in year 10
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-7	Year 8	Year 9	Years 10-30
Principal & Interest	\$560.36	\$588 min \$740 max	\$588 min \$868 max	\$588 min \$884 max
Mortgage Insurance	+ 63	+ —	+ —	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$623	\$588–\$740	\$588–\$868	\$588–\$884
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$244 a month	This estimate includes		In escrow?
		<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner’s Insurance <input type="checkbox"/> Other:		NO NO
<i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>				

Cash to Close	
Estimated Cash to Close	\$13,803 Includes \$4,803 in Closing Costs (\$3,105 in Loan Costs + \$1,698 in Other Costs – \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Proposed Loan Estimate, Easier, ARM, A, Name Set 1, page 2

Closing Cost Details

Loan Costs

A. Origination Charges	\$700
% of Loan Amount (Points)	
Application Fee	\$500
Underwriting Fee	\$200

B. Services You Cannot Shop For	\$592
Appraisal Fee	\$425
Credit Report Fee	\$27
Flood Determination Fee	\$20
Tax Status Research Fee	\$120

C. Services You Can Shop For	\$1,813
Pest Inspection Fee	\$125
Survey Fee	\$175
Title – Lender's Title Policy	\$876
Title – Settlement Agent Fee	\$350
Title – Title Search Fee	\$287

D. TOTAL LOAN COSTS (A + B + C)	\$3,105
--	----------------

Other Costs

E. Taxes and Other Government Fees	\$250
Recording Fees and Other Taxes	\$250
Transfer Taxes	

F. Prepays	\$604
Homeowner's Insurance Premium (_ 6_ months)	\$415
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$12.60 per day for 15 days @ 3.75%)	\$189
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing

Homeowner's Insurance	per month for	mo.
Mortgage Insurance	per month for	mo.
Property Taxes	per month for	mo.

H. Other	\$844
Title – Owner's Title Policy (optional)	\$844

I. TOTAL OTHER COSTS (E + F + G + H)	\$1,698
---	----------------

J. TOTAL CLOSING COSTS	\$4,803
D + I	\$4,803
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$4,803
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$14,000
Deposit	– \$5,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0

Estimated Cash to Close	\$13,803
--------------------------------	-----------------

Adjustable Interest Rate (AIR) Table

Index + Margin	LIBOR + 4%
Initial Interest Rate	3.75%
Minimum/Maximum Interest Rate	4.25%/9%

Change Frequency

First Change	Beginning of 85th month
Subsequent Changes	Every 12th month after first change

Limits on Interest Rate Changes

First Change	3%
Subsequent Changes	2%

Proposed Loan Estimate, Easier, ARM, A, Name Set 1, page 3

Additional Information About This Loan

LENDER Elm Bank
NMLS/LICENSE ID
LOAN OFFICER Joe Smith
NMLS ID 12345
EMAIL joesmith@elmbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$40,667	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$12,006	Principal you will have paid off.
Annual Percentage Rate (APR)	4.591%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	79.85%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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 _____

Proposed Closing Disclosure, Easier, ARM, A, Name Set 1, page 1

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$135,000

Transaction Information

Borrower John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve C. and Amy D.
 321 Somewhere Drive
 Anytown, ST 12345
Lender Elm Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product 7/1 Adjustable Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount

\$121,000

NO

Interest Rate

3.75%

YES

- Adjusts **every year** starting in year 8
- Can go **as high as 9%** in year 10
- See **AIR Table on page 4** for details

Monthly Principal & Interest

\$560.36

YES

- Adjusts **every year** starting in year 8
- Can go **as high as \$884** in year 10

See Projected Payments below for your
Estimated Total Monthly Payment

Does the loan have these features?

Prepayment Penalty

NO

Balloon Payment

NO

Projected Payments

Payment Calculation

Years 1-7

Year 8

Year 9

Years 10-30

Principal & Interest

\$560.36

\$588 min
\$740 max

\$588 min
\$868 max

\$588 min
\$884 max

Mortgage Insurance

+ 62.52

+ —

+ —

+ —

Estimated Escrow

+ 244.02

+ 244.02

+ 244.02

+ 244.02

Amount can increase over time

Estimated Total Monthly Payment

\$866.90

\$832–\$984

\$832–\$1,112

\$832–\$1,128

Estimated Taxes, Insurance & Assessments

Amount can increase over time
See details on page 4

\$394.02
a month

This estimate includes

- ☒ Property Taxes
- ☒ Homeowner's Insurance
- ☒ Other: Homeowner's Association

See page 4 for escrowed property costs. You must pay for other property costs separately.

In escrow?

YES
YES
NO

Cash to Close

Cash to Close

\$15,101.55

Includes **\$7,264.75** in Closing Costs (\$3,107.00 in Loan Costs + \$4,157.75 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, Easier, ARM, A, Name Set 1, page 2

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$700.00				
01 % of Loan Amount (Points)					
02 Application Fee	\$500.00				
03 Underwriting Fee	\$200.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$2,297.00				
01 Appraisal Fee to John Smith Appraisers Inc.		\$425.00			
02 Credit Report Fee to Information Inc.		\$27.00			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Survey Fee to Surveyors Co.	\$175.00				
05 Tax Status Research Fee to Info Co.	\$120.00				
06 Title – Lender's Title Policy to Epsilon Title Co.	\$876.00				
07 Title – Settlement Agent Fee to Epsilon Title Co.	\$350.00				
08 Title – Title Search Fee to Epsilon Title Co.	\$304.00				
09					
10					
C. Services Borrower Did Shop For	\$110.00				
01 Pest Inspection Fee to Pests Co.		\$110.00			
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$3,107.00				
Loan Costs Subtotals (A + B + C)	\$2,545.00	\$562.00			
Other Costs					
E. Taxes and Other Government Fees	\$250.00				
01 Recording Fees Deed: \$125.00 Mortgage: \$125.00	\$250.00				
02 State Transfer Tax			\$1,350.00		
F. Prepays	\$1,950.72				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$570.00				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$12.60 per day from 4/15/13 to 5/1/13	\$201.60				
04 Property Taxes (6 mo.) to Any County USA	\$1,179.12				
05					
G. Initial Escrow Payment at Closing	\$488.03				
01 Homeowner's Insurance \$47.50 per month for 2 mo.	\$95.00				
02 Mortgage Insurance per month for mo.					
03 Property Taxes \$196.52 per month for 2 mo.	\$393.04				
04					
05					
06					
07					
08 Aggregate Adjustment	- 0.01				
H. Other Costs	\$1,469.00				
01 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02 HOA Processing Fee to HOA Acre Inc.	\$125.00				
03 Home Inspection Fee to Engineers Inc.				\$750.00	
04 Real Estate Commission to Alpha Real Estate Broker			\$3,375.00		
05 Real Estate Commission to Omega Real Estate Broker			\$3,375.00		
06 Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$844.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$4,157.75				
Other Costs Subtotals (E + F + G + H)	\$4,157.75				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$7,264.75				
Closing Costs Subtotals (D + I)	\$6,702.75	\$562.00	\$8,100.00	\$1,850.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, Easier, ARM, A, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$4,803.00	\$7,264.75	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$562.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$14,000.00	\$14,000.00	NO
Deposit	– \$5,000.00	– \$5,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$601.20	YES • See details in Sections K and L
Cash to Close	\$13,803.00	\$15,101.55	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$141,782.75
01 Sale Price of Property	\$135,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$6,702.75
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	\$126,681.20
01 Deposit	\$5,000.00
02 Loan Amount	\$121,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	
Other Credits	
06	
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$681.20
13 County Taxes to	
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	\$141,782.75
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$126,681.20
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$15,101.55

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$135,080.00
01 Sale Price of Property	\$135,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
10 County Taxes to	
11 Assessments to	
12 HOA Dues 4/15/13 to 4/30/13	\$80.00
13	
14	
15	
16	
N. Due from Seller at Closing	\$92,781.20
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$8,100.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$84,000.00
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/13 to 4/14/13	\$681.20
15 County Taxes to	
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	\$135,080.00
Total Due from Seller at Closing (N)	– \$92,781.20
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$42,298.80

CLOSING DISCLOSURE

PAGE 3 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, Easier, ARM, A, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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	\$2,928.24	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>HOA Dues</i> You may have other property costs.
Initial Escrow Payment	\$488.03	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$244.02	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.

Adjustable Interest Rate (AIR) Table

Index + Margin	LIBOR + 4%
Initial Interest Rate	3.75%
Minimum/Maximum Interest Rate	4.25%/9%
Change Frequency	
First Change	Beginning of 85th month
Subsequent Changes	Every 12th month after first change
Limits on Interest Rate Changes	
First Change	3%
Subsequent Changes	2%

Proposed Closing Disclosure, Easier, ARM, A, Name Set 1, page 5

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.	\$225,551.12
Finance Charge. The dollar amount the loan will cost you.	\$101,644.12
Amount Financed. The loan amount available after paying your upfront finance charge.	\$120,598.40
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.592%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	79.86%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Elm 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ elmbank.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

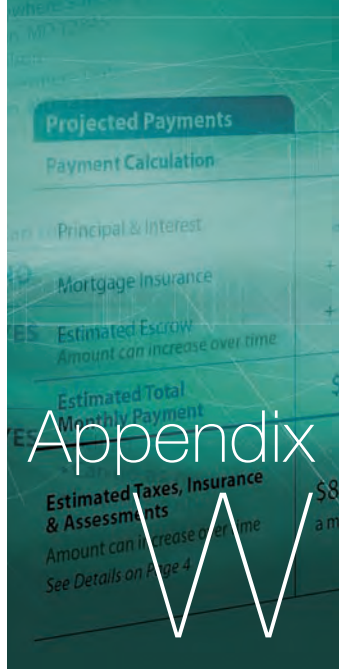
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed Easier ARM B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Fir Bank and Name Set 2 used Redbud Bank.

Proposed Loan Estimate, Easier, ARM, B, Name Set 1, page 1

FIR BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$135,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 3/3 Adjustable Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$121,000	NO	
Interest Rate	3.375%	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 4 Can go as high as 9% in year 10 See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$534.93	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 4 Can go as high as \$903 in year 10
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-3	Years 4-6	Years 7-9	Years 10-30
Principal & Interest	\$534.93	\$640 min \$665 max	\$640 min \$798 max	\$640 min \$903 max
Mortgage Insurance	+ 63	+ 63	+ 63	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 232	+ 232	+ 232	+ 232
Estimated Total Monthly Payment	\$830	\$935–\$960	\$935–\$1,093	\$872–\$1,135
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$232 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? YES YES

Cash to Close	
Estimated Cash to Close	\$14,668 Includes \$5,668 in Closing Costs (\$3,765 in Loan Costs + \$1,903 in Other Costs – \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

Proposed Loan Estimate, Easier, ARM, B, Name Set 1, page 2

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,460
1 % of Loan Amount (Points)	\$1,210
Application Fee	\$250

B. Services You Cannot Shop For	\$690
Appraisal Fee	\$500
Credit Report Fee	\$30
Flood Determination Fee	\$50
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$1,615
Pest Inspection Fee	\$105
Survey Fee	\$125
Title – Lender's Title Policy	\$735
Title – Search Fee	\$400
Title – Settlement Agent Fee	\$250

D. TOTAL LOAN COSTS (A + B + C)	\$3,765
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Other Costs

E. Taxes and Other Government Fees	\$225
Recording Fees and Other Taxes	\$225
Transfer Taxes	

F. Prepaids	\$380
Homeowner's Insurance Premium (_6_ months)	\$210
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$11.34 per day for 15 days @ 3.375%)	\$170
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing	\$588
Homeowner's Insurance \$35.00 per month for 2 mo.	\$70
Mortgage Insurance \$62.52 per month for 2 mo.	\$125
Property Taxes \$196.52 per month for 2 mo.	\$393

H. Other	\$710
Title – Owner's Title Policy (optional)	\$710

I. TOTAL OTHER COSTS (E + F + G + H)	\$1,903
---	----------------

J. TOTAL CLOSING COSTS	\$5,668
D + I	\$5,668
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$5,668
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$14,000
Deposit	– \$5,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0

Estimated Cash to Close	\$14,668
--------------------------------	-----------------

Adjustable Interest Rate (AIR) Table

Index + Margin	COFI + 4%
Initial Interest Rate	3.375%
Minimum/Maximum Interest Rate	5%/9%

Change Frequency

First Change	Beginning of 37th month
Subsequent Changes	Every 36th month after first change

Limits on Interest Rate Changes

First Change	2%
Subsequent Changes	2%

Additional Information About This Loan

LENDER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Fir Bank

Joe Smith
12345
joesmith@firbank.com
123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$42,964	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$11,344	Principal you will have paid off.
Annual Percentage Rate (APR)	5.294%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	93.40%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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
LOAN ESTIMATE		PAGE 3 OF 3 • LOAN ID #123456789	

Proposed Closing Disclosure, Easier, ARM, B, Name Set 1, page 1

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$135,000

Transaction Information

Borrower John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve C. and Amy D.
 321 Somewhere Drive
 Anytown, ST 12345
Lender Fir Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product 3/3 Adjustable Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐ _____
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount

\$121,000

NO

Interest Rate

3.375%

YES

- Adjusts **every 3 years** starting in year 4
- Can go **as high as 9%** in year 10
- See **AIR Table on page 4** for details

Monthly Principal & Interest

See Projected Payments below for your
 Estimated Total Monthly Payment

\$534.93

YES

- Adjusts **every 3 years** starting in year 4
- Can go **as high as \$903** in year 10

Does the loan have these features?

Prepayment Penalty

NO

Balloon Payment

NO

Projected Payments

Payment Calculation	Years 1-3	Years 4-6	Years 7-9	Years 10-30
Principal & Interest	\$534.93	\$640 min \$665 max	\$640 min \$798 max	\$640 min \$903 max
Mortgage Insurance	+ 62.52	+ 62.52	+ 62.52	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 231.52	+ 231.52	+ 231.52	+ 231.52
Estimated Total Monthly Payment	\$828.97	\$832–\$984	\$832–\$1,112	\$832–\$1,128

Estimated Taxes, Insurance & Assessments

Amount can increase over time
 See Details on Page 4

\$381.52
 a month

This estimate includes

- ☒ Property Taxes
- ☒ Homeowner's Insurance
- ☒ Other: Homeowner's Association

See page 4 for escrowed property costs. You must pay for other property costs separately.

In escrow?

YES
YES
NO

Cash to Close

Cash to Close

\$15,472.43

Includes **\$7,702.63** in Closing Costs (\$3,759.00 in Loan Costs + \$3,943.63 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, Easier, ARM, B, Name Set 1, page 2

Closing Cost Details

Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges		\$1,460.00				
01	1 % of Loan Amount (Points)	\$1,210.00				
02	Application Fee	\$250.00				
03						
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		\$2,200.00				
01	Appraisal Fee to John Smith Appraisers Inc.		\$500.00			
02	Credit Report Fee to Info Co.		\$30.00			
03	Flood Determination Fee to Info Co.	\$50.00				
04	Survey Fee to Surveyors Co.	\$125.00				
05	Tax Status Research Fee to Info Co.	\$110.00				
06	Title – Lender's Title Policy to Epsilon Title Co.	\$735.00				
07	Title – Search Fee to Epsilon Title Co.	\$400.00				
08	Title – Settlement Agent Fee to Epsilon Title Co.	\$250.00				
09						
10						
C. Services Borrower Did Shop For		\$99.00				
01	Pest Inspection Fee to Pests Co.		\$99.00			
02						
03						
04						
05						
06						
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)		\$3,759.00				
Loan Costs Subtotals (A + B + C)		\$3,130.00	\$629.00			
Other Costs						
E. Taxes and Other Government Fees		\$240.00				
01	Recording Fees Deed: \$120.00 Mortgage: \$120.00	\$240.00				
02	State Transfer Tax			\$1,350.00		
F. Prepaids		\$1,780.56				
01	Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$420.00				
02	Mortgage Insurance Premium (mo.)					
03	Prepaid Interest \$11.34 per day from 4/15/13 to 5/1/13	\$181.44				
04	Property Taxes (6 mo.) to Any County USA	\$1,179.12				
05						
G. Initial Escrow Payment at Closing		\$588.07				
01	Homeowner's Insurance \$35.00 per month for 2 mo.	\$70.00				
02	Mortgage Insurance \$62.52 per month for 2 mo.	\$125.04				
03	Property Taxes \$196.52 per month for 2 mo.	\$393.04				
04						
05						
06						
07						
08	Aggregate Adjustment	– 0.01				
H. Other Costs		\$1,335.00				
01	HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02	HOA Processing Fee to HOA Acre Inc.	\$125.00				
03	Home Inspection Fee to Engineers Inc.				\$750.00	
04	Real Estate Commission to Alpha Real Estate Broker			\$3,375.00		
05	Real Estate Commission to Omega Real Estate Broker			\$3,375.00		
06	Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
07	Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$710.00				
08						
I. TOTAL OTHER COSTS (Borrower-Paid)		\$3,943.63				
Other Costs Subtotals (E + F + G + H)		\$3,943.63				
J. TOTAL CLOSING COSTS (Borrower-Paid)		\$7,702.63				
Closing Costs Subtotals (D + I)		\$7,073.63	\$629.00	\$8,100.00	\$1,850.00	
Lender Credits						

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, Easier, ARM, B, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$5,668.00	\$7,702.63	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$629.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$14,000.00	\$14,000.00	NO
Deposit	– \$5,000.00	– \$5,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$601.20	YES • See details in Sections K and L
Cash to Close	\$14,668.00	\$15,472.43	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$142,153.63
01 Sale Price of Property	\$135,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$7,073.63

Adjustments

04	
05	
06	
07	

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to	
09	County Taxes	to	
10	Assessments	to	
11	HOA Dues	4/15/13 to 4/30/13	\$80.00
12			
13			
14			
15			

L. Paid Already by or on Behalf of Borrower at Closing	\$126,681.20
01 Deposit	\$5,000.00
02 Loan Amount	\$121,000.00
03 Existing Loan(s) Assumed or Taken Subject to	

Other Credits

04	
05	
06	
07	

Adjustments

08	
09	
10	
11	

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13 to 4/14/13	\$681.20
13	County Taxes	to	
14	Assessments	to	
15			
16			
17			

CALCULATION

Total Due from Borrower at Closing (K)	\$142,153.63
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$126,681.20

Cash to Close ☒ **From** ☐ **To Borrower** **\$15,472.43**

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$135,080.00
01 Sale Price of Property	\$135,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing	\$92,781.20
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$8,100.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$84,000.00
05 Payoff of Second Mortgage Loan	

Other Credits

06	
07	
08	
09	
10	
11	
12	
13	

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$681.20
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$681.20
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$135,080.00
Total Due from Seller at Closing (N)	– \$92,781.20

Cash ☐ **From** ☒ **To Seller** **\$42,298.80**

Proposed Closing Disclosure, Easier, ARM, B, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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	\$2,778.24	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>HOA Dues</i> You may have other property costs.
Initial Escrow Payment	\$588.07	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$231.52	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.

Adjustable Interest Rate (AIR) Table

Index + Margin	COFI + 4%
Initial Interest Rate	3.375%
Minimum/Maximum Interest Rate	5%/9%
Change Frequency	
First Change	Beginning of 37th month
Subsequent Changes	Every 36th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

Proposed Closing Disclosure, Easier, ARM, B, Name Set 1, page 5

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.	\$246,504.48
Finance Charge. The dollar amount the loan will cost you.	\$122,956.56
Amount Financed. The loan amount available after paying your upfront finance charge.	\$119,483.52
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	5.401%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	96.12%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Fir 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@firbank.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

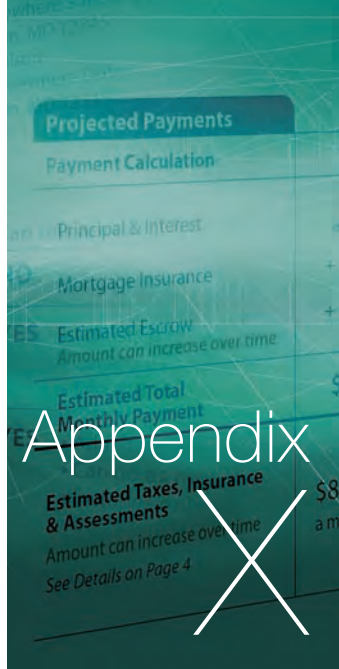
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed More Challenging ARM A Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Gingko Bank and Name Set 2 used Spruce Bank.

Proposed Loan Estimate, More Challenging, ARM, A, Name Set 1, page 1

GINGKO BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$240,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 5 Year Interest Only, 5/3 Adjustable Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$211,000	NO	
Interest Rate	4%	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as 12% in year 15 See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	YES	<ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as \$2,068 in year 15 Includes only interest and no principal until year 6 See AP Table on page 2 for details
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$812	\$1,137–\$1,468	\$1,137–\$1,713	\$1,028–\$2,068
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$533 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? NO NO

Cash to Close	
Estimated Cash to Close	\$27,791 Includes \$8,791 in Closing Costs (\$5,851 in Loan Costs + \$2,940 in Other Costs – \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$3,110
1 % of Loan Amount (Points)	\$2,110
Application Fee	\$500
Processing Fee	\$500

B. Services You Cannot Shop For	\$820
Appraisal Fee	\$305
Credit Report Fee	\$30
Flood Determination Fee	\$35
Lender's Attorney Fee	\$400
Tax Status Research Fee	\$50

C. Services You Can Shop For	\$1,921
Pest Inspection Fee	\$125
Survey Fee	\$150
Title – Courier Fee	\$32
Title – Lender's Title Policy	\$665
Title – Settlement Agent Fee	\$325
Title – Title Search	\$624

D. TOTAL LOAN COSTS (A + B + C)	\$5,851
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Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,028 – \$1,359 at 61st payment
Subsequent Changes	Every three years
Maximum Payment	\$2,068 starting at 169th payment

Other Costs

E. Taxes and Other Government Fees	\$152
Recording Fees and Other Taxes	\$152
Transfer Taxes	

F. Prepays	\$1,352
Homeowner's Insurance Premium (12 months)	\$1,000
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$23.44 per day for 15 days @ 4.00%)	\$352
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing

Homeowner's Insurance	per month for	mo.
Mortgage Insurance	per month for	mo.
Property Taxes	per month for	mo.

H. Other	\$1,436
Title – Owner's Title Policy (optional)	\$1,436

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,940
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J. TOTAL CLOSING COSTS	\$8,791
D + I	\$8,791
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$8,791
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$29,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0

Estimated Cash to Close	\$27,791
--------------------------------	-----------------

Adjustable Interest Rate (AIR) Table

Index + Margin	MTA + 4%
Initial Interest Rate	4%
Minimum/Maximum Interest Rate	3.25%/12%
Change Frequency	
First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

Additional Information About This Loan

LENDER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Gingko Bank

Joe Smith
12345
joesmith@gingkobank.com
123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$54,944	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$0	Principal you will have paid off.
Annual Percentage Rate (APR)	4.617%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	81.18%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	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.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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

Proposed Closing Disclosure, More Challenging, ARM, A, Name Set 1, page 1

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$240,000

Transaction Information

Borrower John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve C. and Amy D.
 321 Somewhere Drive
 Anytown, ST 12345
Lender Gingko Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product 5 Year Negative Amortization,
 5/3 Adjustable Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐ _____
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount	\$211,000	YES <ul style="list-style-type: none"> Goes as high as \$224,481 Increases until year 6
Interest Rate	4%	YES <ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as 12% in year 15 See AIR Table on page 4 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$500.00	YES <ul style="list-style-type: none"> Adjusts every 3 years starting in year 6 Can go as high as \$2,200 in year 15 Includes only interest and no principal until year 6 See AP Table on page 4 for details
Does the loan have these features?		
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments

Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$500.00 <i>only interest</i>	\$1,094 min \$1,446 max	\$1,094 min \$1,707 max	\$1,094 min \$2,200 max
Mortgage Insurance	+ 165.28	+ 165.28	+ 165.28	+ 165.28
Estimated Escrow <i>Amount can increase over time</i>	+ 553.60	+ 553.60	+ 553.60	+ 553.60
Estimated Total Monthly Payment	\$1,218.88	\$1,813–\$2,165	\$1,813–\$2,426	\$1,813–\$2,919

Estimated Taxes, Insurance & Assessments

*Amount can increase over time
 See details on page 4*

\$703.60
 a month

This estimate includes

- ☒ Property Taxes
- ☒ Homeowner's Insurance
- ☒ Other: Homeowner's Association

See page 4 for escrowed property costs. You must pay for other property costs separately.

In escrow?

YES
YES
NO

Cash to Close

Cash to Close **\$30,589.43** Includes **\$13,519.43** in Closing Costs (\$5,877.00 in Loan Costs + \$7,642.43 in Other Costs – \$0 in Lender Credits). See details on page 2.

Proposed Closing Disclosure, More Challenging, ARM, A, Name Set 1, page 2

QUANTITATIVE STUDY OF THE CURRENT AND INTEGRATED TILA-RESPA DISCLOSURES

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$3,110.00				
01 1 % of Loan Amount (Points)	\$2,110.00				
02 Application Fee	\$500.00				
03 Processing Fee	\$500.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$2,652.00				
01 Appraisal Fee to John Smith Appraisers Inc.		\$305.00			
02 Credit Report Fee to Info Co.		\$30.00			
03 Flood Determination Fee to Info Co.	\$35.00				
04 Lender's Attorney to Law Firm LLP	\$400.00				
05 Survey Fee to Surveyors Co.	\$150.00				
06 Tax Status Research Fee to Info Co.	\$50.00				
07 Title – Courier Fee to Epsilon Title Co.	\$32.00				
08 Title – Lender's Title Policy to Epsilon Title Co.	\$665.00				
09 Title – Settlement Agent Fee to Epsilon Title Co.	\$330.00				
10 Title – Title Search to Epsilon Title Co.	\$655.00				
C. Services Borrower Did Shop For	\$115.00				
01 Pest Inspection Fee to Pests Co.		\$115.00			
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$5,877.00				
Loan Costs Subtotals (A + B + C)	\$5,427.00	\$450.00			
Other Costs					
E. Taxes and Other Government Fees	\$156.00				
01 Recording Fees Deed: \$78.00 Mortgage: \$78.00	\$156.00				
02 State Transfer Tax			\$2,110.00		
F. Prepaids	\$4,318.24				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,243.20				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$23.44 per day from 4/15/13 to 5/1/13	\$375.04				
04 Property Taxes (6 mo.) to Any County USA	\$2,700.00				
05					
G. Initial Escrow Payment at Closing	\$1,107.19				
01 Homeowner's Insurance \$103.60 per month for 2 mo.	\$207.20				
02 Mortgage Insurance per month for mo.					
03 Property Taxes \$450.00 per month for 2 mo.	\$900.00				
04					
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other Costs	\$2,061.00				
01 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02 HOA Processing Fee to HOA Acre Inc.	\$125.00				
03 Home Inspection Fee to Engineers Inc.				\$750.00	
04 Real Estate Commission to Alpha Real Estate Broker			\$5,275.00		
05 Real Estate Commission to Omega Real Estate Broker			\$5,275.00		
06 Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$1,436.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$7,642.43				
Other Costs Subtotals (E + F + G + H)	\$7,642.43				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$13,519.43				
Closing Costs Subtotals (D + I)	\$13,069.43	\$450.00	\$12,660.00	\$1,850.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, More Challenging, ARM, A, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$8,791.00	\$13,519.43	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$450.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$29,000.00	\$29,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$1,480.00	YES • See details in Sections K and L
Cash to Close	\$27,791.00	\$30,589.43	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$253,149.43
01 Sale Price of Property	\$240,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$13,069.43

Adjustments

04
05
06
07

Adjustments for Items Paid by Seller in Advance

Payments for Items Paid by Seller in Advance				
08	City/Town Taxes		to	
09	County Taxes		to	
10	Assessments		to	
11	HOA Dues	4/15/13	to 4/30/13	\$80.00
12				
13				
14				
15				

L. Paid Already by or on Behalf of Borrower at Closing	\$222,560.00
01 Deposit	\$10,000.00
02 Loan Amount	\$211,000.00
03 Existing Loan(s) Assumed or Taken Subject to	

Other Credits

04
05
06
07

Adjustments

08
09
10
11

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13	to 4/14/13	\$1,560.00
13	County Taxes		to	
14	Assessments		to	
15				
16				
17				

CALCULATION

Total Due from Borrower at Closing (K)	\$253,149.43
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$222,560.00

Cash to Close ☒ **From** ☐ **To Borrower** **\$30,589.43**

SELLER'S TRANSACTION

M. Due to Seller at Closing		\$240,080.00
01	Sale Price of Property	\$240,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		

Adjustments for Items Paid by Seller in Advance

Payments for Items 9 and 10 below in Advance				
09	City/Town Taxes		to	
10	County Taxes		to	
11	Assessments		to	
12	HOA Dues	4/15/13	to 4/30/13	\$80.00
13				
14				
15				
16				

N. Due from Seller at Closing	\$174,220.00
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$12,660.00
03 Existing Loan(s) Assumed or Taken Subject to	

Payoff of First Mortgage Loan

06	
07	
08	Seller Credit

Adjustments

14
15
16
17
18
19

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$1,560.00
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$240,080.00
Total Due from Seller at Closing (N)	– \$174,220.00

Cash ☐ **From** ☒ **To Seller** **\$65,860.00**

Proposed Closing Disclosure, More Challenging, ARM, A, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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.

Adjustable Payment (AP) Table

Interest Only Payments?	YES	for your first 60 payments
Optional Payments?	NO	
Step Payments?	YES	for your first 60 payments
Seasonal Payments?	NO	
Monthly Principal and Interest Payments		
First Change/Amount	\$1,094 – \$1,446 at 61st payment	
Subsequent Changes	Every three years	
Maximum Payment	\$2,200 starting at 169th payment	

CLOSING DISCLOSURE

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	\$6,643.20	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> You may have other property costs.
Initial Escrow Payment	\$1,107.19	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$553.60	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.

Adjustable Interest Rate (AIR) Table

Index + Margin	MTA + 4%
Initial Interest Rate	4%
Minimum/Maximum Interest Rate	3.25%/12%
Change Frequency	
First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

PAGE 4 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, More Challenging, ARM, A, Name Set 1, page 5

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.	\$420,339.51
Finance Charge. The dollar amount the loan will cost you.	\$192,991.72
Amount Financed. The loan amount available after paying your upfront finance charge.	\$207,614.96
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.872%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	79.31%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Ginkgo 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ ginkgobank.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

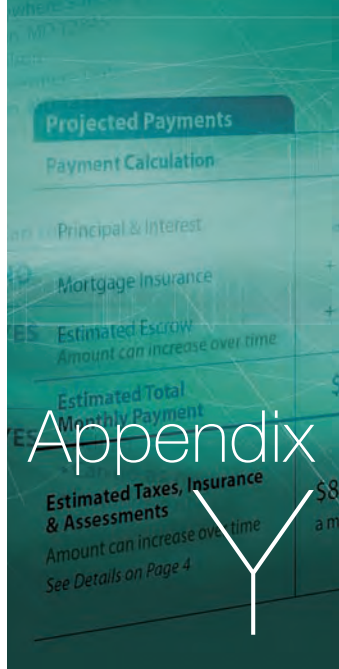
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789



Proposed More Challenging ARM B Disclosures

The study used two different sets of lender names for the loan disclosures. All other information was identical. Name Set 1 used Hornbeam Bank and Name Set 2 used Tulip Bank.

Proposed Loan Estimate, More Challenging, ARM, B, Name Set 1, page 1

HORNBEAM BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$240,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 7 Year Interest Only, 7/1 Adjustable Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/22/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$211,000	NO	
Interest Rate	4.25%	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 8 Can go as high as 8% in year 11 See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$747.29	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 8 Can go as high as \$1,651 in year 11 Includes only interest and no principal until year 8 See AP Table on page 2 for details
Does the loan have these features?			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-7	Year 8	Year 9	Years 10-30
Principal & Interest	\$747.29 <i>only interest</i>	\$1,228 min \$1,318 max	\$1,228 min \$1,439 max	\$1,228 min \$1,651 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ 109
Estimated Escrow <i>Amount can increase over time</i>	+ 446	+ 446	+ 446	+ 446
Estimated Total Monthly Payment	\$1,302	\$1,783–\$1,873	\$1,783–\$1,994	\$1,783–\$2,206
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$446 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? YES YES

Cash to Close	
Estimated Cash to Close	\$26,296 Includes \$7,296 in Closing Costs (\$4,241 in Loan Costs + \$3,055 in Other Costs – \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,300
% of Loan Amount (Points)	
Application Fee	\$400
Underwriting Fee	\$900

B. Services You Cannot Shop For	\$790
Appraisal Fee	\$450
Credit Report Fee	\$25
Flood Determination Fee	\$50
Flood Monitoring Fee	\$110
Tax Monitoring Fee	\$115
Tax Status Research Fee	\$40

C. Services You Can Shop For	\$2,151
Pest Inspection Fee	\$105
Survey Fee	\$125
Title – Lender's Title Policy	\$892
Title – Search Fee	\$644
Title – Settlement Agent Fee	\$385

D. TOTAL LOAN COSTS (A + B + C)	\$4,241
--	----------------

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 84 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,228–\$1,318 at 85th payment
Subsequent Changes	Every year
Maximum Payment	\$1,651 starting at 121st payment

Other Costs

E. Taxes and Other Government Fees	\$225
Recording Fees and Other Taxes	\$225
Transfer Taxes	

F. Prepaids	\$911
Homeowner's Insurance Premium (_6_ months)	\$537
Mortgage Insurance Premium (__ months)	
Prepaid Interest (\$24.91 per day for 15 days @ 4.25%)	\$374
Property Taxes (__ months)	

G. Initial Escrow Payment at Closing	\$1,109
Homeowner's Insurance	\$89.50 per month for 2 mo. \$179
Mortgage Insurance	\$109.02 per month for 2 mo. \$218
Property Taxes	\$356.00 per month for 2 mo. \$712

H. Other	\$810
Title – Owner's Title Policy (optional)	\$810

I. TOTAL OTHER COSTS (E + F + G + H)	\$3,055
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J. TOTAL CLOSING COSTS	\$7,296
D + I	\$7,296
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$7,296
Closing Costs Financed (Included in Loan Amount)	\$0
Down Payment/Funds from Borrower	\$29,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0

Estimated Cash to Close	\$26,296
--------------------------------	-----------------

Adjustable Interest Rate (AIR) Table

Index + Margin	LIBOR + 4%
Initial Interest Rate	4.25%
Minimum/Maximum Interest Rate	4.5%/8%
Change Frequency	
First Change	Beginning of 85th month
Subsequent Changes	Every 12th month after first change
Limits on Interest Rate Changes	
First Change	1%
Subsequent Changes	1%

Additional Information About This Loan

LENDER Hornbeam Bank
NMLS/LICENSE ID
LOAN OFFICER Joe Smith
NMLS ID 12345
EMAIL joesmith@hornbeambank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/LICENSE ID
LOAN OFFICER
NMLS ID
EMAIL
PHONE

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years

\$56,212 Total you will have paid in principal, interest, mortgage insurance, and loan costs.
\$0 Principal you will have paid off.

Annual Percentage Rate (APR)

5.067% Your costs over the loan term expressed as a rate. This is not your interest rate.

Total Interest Percentage (TIP)

96.20% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal

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.

Assumption

If you sell or transfer this property to another person, we
☐ 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.

Homeowner's Insurance

This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment

If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.

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.

Servicing

We intend
☐ to service your loan. If so, you will make your payments to us.
☒ to transfer servicing of your loan.

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

LOAN ESTIMATE

PAGE 3 OF 3 • LOAN ID #123456789

Proposed Closing Disclosure, More Challenging, ARM, B, Name Set 1, page 1

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$240,000

Transaction Information

Borrower John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve C. and Amy D.
 321 Somewhere Drive
 Anytown, ST 12345
Lender Hornbeam Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product 5 Year Negative Amortization,
 7/1 Adjustable Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount	\$214,000	YES	<ul style="list-style-type: none"> Goes as high as \$236,322 Increases until year 6
Interest Rate	4.125%	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 8 Can go as high as 8% in year 10 See AIR Table on page 4 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$400.00	YES	<ul style="list-style-type: none"> Adjusts every year starting in year 6 Can go as high as \$1,759 in year 10 Includes only interest and no principal until year 6 See AP Table on page 4 for details

Does the loan have these features?

Prepayment Penalty	NO
Balloon Payment	NO

Projected Payments

Payment Calculation	Years 1-5	Years 6-7	Year 8	Years 9-30
Principal & Interest	\$400.00 <i>only interest</i>	\$1,263.76	\$1,310 min \$1,389 max	\$1,310 min \$1,759 max
Mortgage Insurance	+ 165.28	+ 165.28	+ 165.28	+ 165.28
Estimated Escrow <i>Amount can increase over time</i>	+ 547.50	+ 547.50	+ 547.50	+ 547.50
Estimated Total Monthly Payment	\$1,112.78	\$1,976.54	\$2,023–\$2,102	\$2,023–\$2,472

Estimated Taxes, Insurance & Assessments

*Amount can increase over time
 See page 4 for details*

\$697.50 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	In escrow? YES YES NO
----------------------------	--	--

Costs at Closing

Closing Costs	\$13,742.87	Includes \$6,396.00 in Loan Costs + \$7,346.87 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Cash to Close	\$27,787.87	Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

Proposed Closing Disclosure, More Challenging, ARM, B, Name Set 1, page 2

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$3,440.00				
01 1 % of Loan Amount (Points)	\$2,140.00				
02 Application Fee	\$400.00				
03 Processing Fee	\$900.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$2,956.00				
01 Appraisal Fee to John Smith Appraisers Inc.		\$450.00			
02 Credit Report Fee to Information Inc.		\$25.00			
03 Flood Determination Fee to Info Co.	\$50.00				
04 Flood Monitoring Fee to Info Co.	\$110.00				
05 Pest Inspection Fee to Pests Co.	\$115.00				
06 Survey Fee to Surveyors Co.	\$130.00				
07 Tax Monitoring Fee to Info Co.	\$115.00				
08 Tax Status Research Fee to Info Co.	\$40.00				
09 Title – Lender's Title Policy to Epsilon Title Co.	\$892.00				
10 Title – Search Fee to Epsilon Title Co.	\$644.00				
11 Title – Settlement Agent Fee to Epsilon Title Co.	\$385.00				
C. Services Borrower Did Shop For					
01					
02					
03					
04					
05					
06					
07					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$6,396.00				
Loan Costs Subtotals (A + B + C)	\$5,921.00	\$475.00			
Other Costs					
E. Taxes and Other Government Fees	\$224.00				
01 Recording Fees Deed: \$112.00 Mortgage: \$112.00	\$224.00				
02 State Transfer Tax			\$2,110.00		
F. Prepays	\$4,262.32				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,170.00				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest \$24.52 per day from 4/15/13 to 5/1/13	\$392.32				
04 Property Taxes (6 mo.) to Any County USA	\$2,700.00				
05					
G. Initial Escrow Payment at Closing	\$1,425.55				
01 Homeowner's Insurance \$97.50 per month for 2 mo.	\$195.00				
02 Mortgage Insurance \$165.28 per month for 2 mo.	\$330.56				
03 Property Taxes \$450.00 per month for 2 mo.	\$900.00				
04					
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other Costs	\$1,435.00				
01 HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02 HOA Processing Fee to HOA Acre Inc.	\$125.00				
03 Home Inspection Fee to Engineers Inc.				\$750.00	
04 Real Estate Commission to Alpha Real Estate Broker			\$5,275.00		
05 Real Estate Commission to Omega Real Estate Broker			\$5,275.00		
06 Structural Inspection Fee to Structural Engineers Inc.				\$1,100.00	
07 Title – Owner's Title Policy (optional) to Epsilon Title Co.	\$810.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	\$7,346.87				
Other Costs Subtotals (E + F + G + H)	\$7,346.87				
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$13,742.87				
Closing Costs Subtotals (D + I)	\$13,267.87	\$475.00	\$12,660.00	\$1,850.00	
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Proposed Closing Disclosure, More Challenging, ARM, B, Name Set 1, page 3

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Estimate	Final	Did this change?
Total Closing Costs (J)	\$7,296.00	\$13,742.87	YES • See Total Loan Costs (D) and Total Other Costs (I) • Increase exceeds legal limits by \$2,140
Closing Costs Paid Before Closing	\$0	– \$475.00	YES • You paid these Closing Costs before closing
Closing Costs Financed (Included in Loan Amount)	\$0	– \$3,000.00	YES • You included these Closing Costs in your Loan Amount, which increased your Loan Amount
Down Payment/Funds from Borrower	\$29,000.00	\$29,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	\$0	NO
Adjustments and Other Credits	\$0	– \$1,480.00	YES • See details in Sections K and L
Cash to Close	\$26,296.00	\$27,787.87	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$253,347.87
01 Sale Price of Property	\$240,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$13,267.87

Adjustments

04
05
06
07

Adjustments for Items Paid by Seller in Advance

08	City/Town Taxes	to		
09	County Taxes	to		
10	Assessments	to		
11	HOA Dues	4/15/13	to 4/30/13	\$80.00
12				
13				
14				
15				

L. Paid Already by or on Behalf of Borrower at Closing	\$225,560.00
01 Deposit	\$10,000.00
02 Loan Amount	\$214,000.00

03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	

Other Credits

06
07

Adjustments

08
09
10
11

Adjustments for Items Unpaid by Seller

12	City/Town Taxes	1/1/13	to 4/14/13	\$1,560.00
13	County Taxes		to	
14	Assessments		to	
15				
16				
17				

CALCULATION

Total Due from Borrower at Closing (K)	\$253,347.87
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$225,560.00

Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$27,787.87
--	--------------------

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$240,080.00
01 Sale Price of Property	\$240,000.00
02 Sale Price of Any Personal Property Included in Sale	

03
04
05
06
07
08

Adjustments for Items Paid by Seller in Advance

09	City/Town Taxes	to	
10	County Taxes	to	
11	Assessments	to	
12	HOA Dues	4/15/13 to 4/30/13	\$80.00
13			
14			
15			
16			

N. Due from Seller at Closing	\$174,220.00
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$12,660.00

03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$160,000.00
05 Payoff of Second Mortgage Loan	

06
07
08 Seller Credit
09
10
11
12
13

Adjustments for Items Unpaid by Seller

14	City/Town Taxes	1/1/13 to 4/14/13	\$1,560.00
15	County Taxes	to	
16	Assessments	to	
17			
18			
19			

CALCULATION

Total Due to Seller at Closing (M)	\$240,080.00
Total Due from Seller at Closing (N)	– \$174,220.00

Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$65,860.00
---	--------------------

Proposed Closing Disclosure, More Challenging, ARM, B, Name Set 1, page 4

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 Payment

Your lender will

- ☐ accept payments that are less than the full amount due (partial payments). Partial payments will be applied:

- ☒ not accept 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.

Adjustable Payment (AP) Table

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	YES for your first 60 payments
Step Payments?	YES for your first 60 payments
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,310 – \$1,390 at 61st payment
Subsequent Changes	Every year
Maximum Payment	\$1,759 starting at 121st payment

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	\$6,570.00	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>HOA Dues</i> You may have other property costs.
Initial Escrow Payment	\$1,425.55	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$547.50	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.

Adjustable Interest Rate (AIR) Table

Index + Margin	LIBOR + 4%
Initial Interest Rate	4.125%
Minimum/Maximum Interest Rate	4.5%/8%
Change Frequency	
First Change	Beginning of 85th month
Subsequent Changes	Every 12th month after first change
Limits on Interest Rate Changes	
First Change	1%
Subsequent Changes	1%

Proposed Closing Disclosure, More Challenging, ARM, B, Name Set 1, page 5

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.	\$461,762.42
Finance Charge. The dollar amount the loan will cost you.	\$222,309.23
Amount Financed. The loan amount available after paying your upfront finance charge.	\$210,012.12
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	5.335%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	90%
Approximate Cost of Funds (ACF). The approximate cost of the funds used to make this loan. This is not a direct cost to you.	1.63%



Questions? If you have questions about the loan terms and costs on this form, contact your lender. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/learnmore.

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 be liable for debt remaining after the 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	Hornbeam 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/ License ID			Z765416	Z61456	Z61616
Contact	Joe S.		Samuel G.	Joseph C.	Sarah A.
Contact NMLS/ License ID	12345		P16415	P51461	PT1234
Email	joesmith@ hornbeambank.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

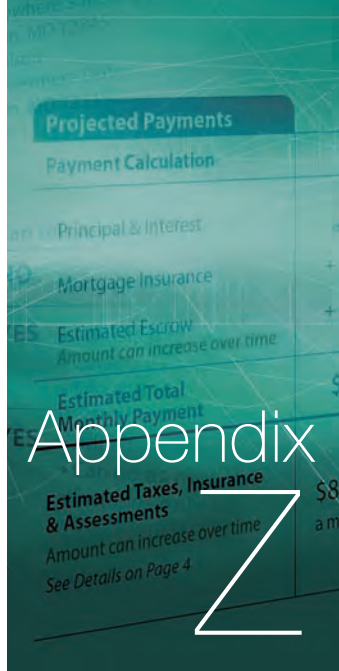
Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

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