



QUESTIONS AND ANSWERS ABOUT THE “THE TRUTH-IN-LENDING” DISCLOSURE

We hope that providing answers to some of the questions you may have regarding this disclosure statement will make the application process a little smoother.

WHAT IS A TRUTH-IN-LENDING DISCLOSURE AND WHY DO I RECEIVE IT?

Your Disclosure Statement provides information that Federal law requires the lender to provide to you. The purpose of the statement is to give you information about your loan and help you shop for credit.

WHAT IS THE ANNUAL PERCENTAGE RATE?

The Annual Percentage Rate, or APR, is the cost of your credit expressed in terms of an annual rate. Because you may be paying “points” and other closing costs, the APR disclosed is often higher than the interest rate on your loan. The APR can be compared to the APR for other loans for which you may have applied to give you a fair method of comparing prices.

WHAT IS THE AMOUNT FINANCED?

The amount financed is the loan amount applied for minus prepaid finance charges and any required deposit balance. Prepaid finance charges include items such as loan origination, commitment or discount fee (points), adjusted interest and initial mortgage insurance premium. The Amount Financed represents a net figure used to allow you to accurately assess the amount of credit actually provided.

DOES THIS MEAN I WILL GET A LOWER MORTGAGE THAN I APPLIED FOR?

No. If your loan is approved in the amount for which you applied, that is how much will be credited toward your home purchase or refinance at settlement.

WHY IS THE APR DIFFERENT FROM THE INTEREST RATE FOR WHICH I APPLIED? WHY IS THE AMOUNT FINANCED DIFFERENT?

The Amount Financed is lower than the amount you applied for because it represents a net figure. If someone applied for a loan of \$50,000 and the prepaid finance charges total \$2,000, the amount financed would be shown as \$48,000 ($50,000 - 2,000$). The APR is computed from this lower figure, based on what your proposed payments would be. In a \$50,000 loan with \$2,000 in prepaid finance charges, and an interest rate of 12%, the payments would be \$514.31 (principal & interest) on a loan with a thirty-year term. Since the APR is based on the amount financed, rather than on the actual loan amount, and since the payment amount remains the same, the APR (12.553%) is higher than the interest rate. If your loan is approved, you will receive a \$50,000 loan at 12% interest for thirty years with monthly payments of \$514.31.

HOW WILL MY INTEREST RATE AND PAYMENTS BE AFFECTED BY THE DISCLOSURE STATEMENT?

The Disclosure Statement discloses only your estimated interest rate and payments. The interest rate at which your loan closed determines what your actual monthly principal and interest payment will be. The estimate is not a guarantee or reduction of your actual rate or payment.

WHAT IS THE FINANCE CHARGE?

The Finance Charge is the cost of credit. It is the total amount of interest calculated at the interest rate over the life of the loan, plus prepaid finance charges and the total amount of mortgage insurance charged over the life of the loan. This figure is estimated on the Good Faith Estimate given to you at the time of application.

WHAT IS THE TOTAL OF PAYMENTS?

This figure indicates the total amount you will have paid, including principal, interest, prepaid finance charges and mortgage insurance if you make the minimum required payments for the entire term of the loan. This figure is estimated on the Disclosure Statement.

MY STATEMENT SAYS THAT IF I PAY THE LOAN OFF EARLY, I WILL NOT BE ENTITLED TO A REFUND OF PART OF THE FINANCE CHARGES. WHAT DOES THIS MEAN?

This means that you will be charged interest for the period of time in which you used the money loaned to you. Your prepaid finance charges are generally not refundable. Neither is any interest, which has already been paid. If you paid the loan off early, you should not have to pay the full amount of the “finance charges” shown on the disclosure.

WHAT IS THE FILING FEE?

The filing fee is an estimate of the cost of recording the legal documents (mortgage, deed of trust, deed, etc.) connected with your transaction. The fee will be charged at settlement; please do not send it now.

WHY MUST I SIGN THE DISCLOSURE STATEMENT?

Lenders are required by law to provide the information on this statement to you in a timely manner. Your signature merely indicates that you received this information, and does not obligate either you or the lender in any way. Please retain one copy for your records.