

# Your closing forms, explained

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Consumer Financial  
Protection Bureau



# Promissory Note

The Note is the legal document you sign to agree to repay your mortgage. The Note will provide you with details regarding your loan, including the amount you owe, the interest rate of the mortgage loan, the dates when the payments are to be made, the length of time for repayment, and the place where the payments are to be sent. The Note also explains the consequences of failing to make your monthly mortgage payments. **Read this document carefully.** If something is different from what you agreed upon, contact your lender right away.

## Breaking down the form

1. Total amount of money you are borrowing.
2. This is your interest rate. If you have an adjustable rate mortgage, this is your initial interest rate.
3. This section explains the consequences of being late on your monthly payment.
4. This sample form is for a fixed rate. However, if the loan is an Adjustable Rate Mortgage (ARM) you will find an explanation for the way that your interest rate can change, and any caps on how much it could increase.

[Get a copy of the Promissory Note](#)

**NOTE**

\_\_\_\_\_, [Date] \_\_\_\_\_, [City] \_\_\_\_\_, [State] \_\_\_\_\_  
\_\_\_\_\_, [Property Address] \_\_\_\_\_

**1. BORROWER'S PROMISE TO PAY**  
In return for a loan that I have received, I promise to pay U.S. \$ \_\_\_\_\_ (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is \_\_\_\_\_. I will make all payments under this Note in the form of cash, check or money order.  
I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

**2. INTEREST**  
Interest shall be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of \_\_\_\_\_. The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

**3. BORROWER'S FAILURE TO PAY AS REQUIRED**  
**(A) Late Charge for Overdue Payments**  
If the Note Holder has not received the full amount of any monthly payment by the end of \_\_\_\_\_ calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be \_\_\_\_\_% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.  
**(B) Default**  
If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.  
**(C) Notice of Default**  
If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.  
**(D) No Waiver By Note Holder**  
Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.  
**(E) Payment of Note Holder's Costs and Expenses**  
If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

**7. GIVING OF NOTICES**  
Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.  
Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**8. OBLIGATIONS OF PERSONS UNDER THIS NOTE**  
If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**9. WAIVERS**  
I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

**10. UNIFORM SECURED NOTE**  
This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:  
If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

MULTISTATE FIXED RATE NOTE—Single Family—Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3200 1/01 (page 2 of 3 pages)

of 3 pages


## KNOW BEFORE YOU OWE: CLOSING TIME


# Right to Cancel form

If you are refinancing a loan, you have a right to cancel the loan within three business days. This document explains the rules for when and how you can cancel your loan, and what happens if you do cancel the loan.

### Breaking down the form

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

[Get a copy of the Right of Recission form](#) 

Form RD 1940-43 (Rev. 8-00)	UNITED STATES DEPARTMENT OF AGRICULTURE	Form Approved OMB No. 0575-0172
<input type="checkbox"/> Rural Housing Service <input type="checkbox"/> Rural Business-Cooperative Service <input type="checkbox"/> Rural Utilities Service		Type Loan Amount Financed \$
<b>NOTICE OF RIGHT TO CANCEL</b>		
To:		
<b>Your Right to Cancel</b> You are entering into a transaction that will result in a mortgage on your home. You have a legal right under Federal law to cancel this transaction, without cost, until midnight of the third business day after, whichever of the following events occurs last: <ol style="list-style-type: none"><li>(1) the date of closing of the transaction,</li><li>(2) the date you received your Truth in Lending disclosure,</li><li>(3) the date you received this notice of your right to cancel.</li></ol>		
If you cancel the transaction, the mortgage is also canceled. Within 20 calendar days after we receive your notice, we must take the steps necessary to reflect the fact that the mortgage on your home has been canceled, and we must return to you any money or property you have given to us or to anyone else in connection with this transaction.		
You may keep any money or property we have given you until we have done the things mentioned above, but you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not take possession of the money or property within 20 calendar days of your offer, you may keep it without further obligation.		
<b>How to Cancel</b> If you decide to cancel this transaction, you may do so by notifying the Agency as indicated above in writing, at USDA,  (Field Office Address)		
You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.		
If you cancel by mail or telegram, you must send the notice no later than midnight of _____, 20____ (or midnight of the third business day following the latest of the events listed above). If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.		
<b>I WISH TO CANCEL</b>		
_____ (Signature)		_____ (Date)
<small>According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.</small>		
<small>Form RD 1940-43 (Rev. 8-00)</small>		

# Truth in Lending Disclosure

This document summarizes the terms and conditions of your mortgage.

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

## Breaking down the form

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

Proprietary form used in the consumer testing

**FEDERAL TRUTH-IN LENDING DISCLOSURE STATEMENT**  
For use with Fixed-Rate, GPM, Balloon Mortgages,  
Adjustable or Variable Rate Loans

Date: 10/14/09  
Loan No.: 20497  
Borrowers: James and Clara Borrower  
Property Location: 123 Your Street  
Hometown, VA 22189

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
6.88 %	\$ 129,059.36	\$ 186,147.50	\$ 315,206.86

You have the right to receive in this time an acknowledgment of the Amount Financed.  
 I want an itemization       I do not want an itemization

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
118	\$ 1,049.11	Monthly beginning 12/01/09 and ending 10/01/15
1	\$ 190,362.24	11/01/15

Variable Rate:  This loan has a Variable Rate Feature. Variable Rate Disclosures have been provided to you earlier.

This obligation has a demand feature.  
 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. No such insurance will be in force until you have completed an application, the insurance company has issued the policy, the effective date of that policy has arrived and the required premium has been paid.

Type	Premium	Term	Signature
Credit Life	\$ 3,900.00	10 years	I want to apply for credit life insurance. SIGNATURE: _____
Credit Disability	\$ 2,330.00	10 years	I want to apply for credit disability insurance. SIGNATURE: _____
Credit Life and Credit Disability	\$	10 years	I want to apply for credit life and disability insurance. SIGNATURE: _____

You may obtain property insurance from anyone you want that is acceptable to this institution. If you get the insurance from \_\_\_\_\_ you will pay \$ \_\_\_\_\_ for a term of \_\_\_\_\_.

Security: You are giving a security interest in the property being purchased.  
 the property located at 123 Your St., Hometown, VA 22189

Late Charge: If payment is late, you will be charged \$ \_\_\_\_\_ / \_\_\_\_\_, % of the payment.

Prepayment: If you pay off early, you  
 may \_\_\_\_\_ will not have to pay a penalty  
 may \_\_\_\_\_ will not be entitled to a refund of part of the finance charge.

Assumption: Someone buying your home  
 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.  
 A deposit balance  is  is not required. The Annual Percentage Rate does not take into account your required deposit. 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.  
**CHANGING AN ASSUMPTION**  
 If We hereby acknowledge receipt of this disclosure.

Prepared by: \_\_\_\_\_ DATE: \_\_\_\_\_  
 \_\_\_\_\_ TITLE: \_\_\_\_\_

[Get a copy of the Truth in Lending Disclosure](#)

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

# Initial Escrow Disclosure

The Initial Escrow Disclosure Statement details the specific charges that you will pay into escrow each month as part of a mortgage agreement.

## Breaking down the form

1. Your monthly payment includes your current payment for principal and interest on your loan plus extra money put into "escrow" for upcoming tax and insurance bills.
2. This section shows how your escrow money will be spent. Each line includes your monthly escrow payment, any disbursements (withdrawals) to pay taxes and insurance bills, and the running balance held in the account. Note that the escrow amounts could change over time. Also note that anything that is paid out of the escrow account, you will not have to pay separately.

**INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT**

Your monthly mortgage payment until your next escrow analysis will consist of the following:

Principal and Interest:	\$ 955.05
Escrow:	\$ 49.51
<b>Total Monthly Payment:</b>	<b>\$1,004.56</b>

The following are anticipated disbursements and deposits from your escrow account during the coming year:

Month	Deposits to Escrow	Disbursements From Escrow	Description	Escrow Account Balances
<i>Initial deposit</i>				\$ 58.95
SEPTEMBER	\$ 49.51	\$		\$ 108.46
OCTOBER	\$ 49.51	\$		\$ 157.97
NOVEMBER	\$ 49.51	\$		\$ 207.48
DECEMBER	\$ 49.51	\$		\$ 256.99
JANUARY	\$ 49.51	\$		\$ 286.50
FEBRUARY	\$ 49.51	\$		\$ 356.01
MARCH	\$ 49.51	\$ 177.03	CITY TAX	\$ 288.49
APRIL	\$ 49.51	\$		\$ 278.00
MAY	\$ 49.51	\$		\$ 327.51
JUNE	\$ 49.51	\$		\$ 377.02
JULY	\$ 49.51	\$ 240.00	HAZARD INSURANCE	\$ 186.53
AUGUST	\$ 49.51	\$ 177.03	CITY TAX	\$ 59.01

PLEASE KEEP THIS STATEMENT TO COMPARE WITH THE ACTUAL ACTIVITY THAT WILL OCCUR IN YOUR ESCROW ACCOUNT DURING THE UPCOMING YEAR.

Cushion: \$ 59.01

Itemization of anticipated disbursements from your escrow account:

	07/01/02	HAZARDINS	240.00
	03/01/02	CITY TAX	177.03
		FLDINSUR	
		ANNUALPMI	
		CNTY TAX	
	09/01/02	CITY TAX	177.03
		ANN ASSESS	

NOTE: The Real Estate Settlement Procedures Act (RESPA) establishes specific guidelines regarding the amount that lenders are permitted to collect for the payment of escrow items during the initial escrow computation year, i.e., the next twelve months. Unless authorized by you to do otherwise, your lender may collect only for disbursements that will occur during the coming year. If your monthly tax escrow amount has been based on unimproved (or lot) tax amounts or if your taxes were prepaid at closing and the next disbursement is not within the initial 12 month escrow computation year, your initial escrow amount for taxes will be lower than normal or may be zero. This may cause a significant increase in your monthly payment when your escrow account is analyzed in the normal twelve month timeframe. In order to minimize the amount of this payment increase, you may request an early analysis of your escrow account prior to the scheduled annual analysis.

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Co-Borrower \_\_\_\_\_ Date \_\_\_\_\_

[Get a copy of the Initial Escrow Disclosure](#) 

# Deed of Trust / Mortgage

This document may be called the Security Instrument, Deed of Trust, or Mortgage. When you sign this document, you are giving the lender the right to take your property by foreclosure if you fail to pay your mortgage according to the terms you've agreed to. This document restates the basic information included in the Promissory Note, as well as explains your responsibilities and rights as a borrower. The mortgagee refers to the lender or the "recipient of the mortgage."

## Breaking down the Mortgage

**Section 6:** Note that if Section 6 states that you will occupy the property as your principal residence, then you must do so. If you do not move in and continue to use the property as your principal residence according to the conditions in this section, you could risk foreclosure.

**Section 21:** This states that you are not allowed to store hazardous materials in your home. If you do, you are violating the terms of your loan and your lender could foreclose.

[Get a copy of a sample Deed of Trust](#)

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the

**21. Hazardous Substances.** As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic

**22. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides

**Section 22:** This states that if you do not make your monthly mortgage payments on time, or if you do not abide by the other conditions of the loan (e.g. having current homeowners insurance), your lender can

declare your loan in default. If your loan is in default, your lender has a right to demand that you pay your entire loan off immediately. If you can't pay, the lender can start foreclosure proceedings.