Book 1

Understanding the Mortgage Cycle

MGIC

THE FUNDAMENTALS OF THE MORTGAGE PROCESS

Introduction

It all starts with the dream of owning a home. Consumers will often turn to you, the loan originator, for help turning that dream into a reality.

Consumers look to you, a member of the mortgage industry, for expertise and guidance as they navigate the mortgage process. But where can you go for guidance?

At MGIC, we know how many steps, people, processes and rules are involved in the whole Mortgage Cycle. And we know that in today's constantly evolving and heavily regulated market, it's more important than ever to stay on top of changes. That's why we prepared this program: *The Fundamentals of the Mortgage Process.*

Fundamentals breaks down the main components of the mortgage process, and explores and explains each piece. We'll walk you through everything from loan origination and closing to servicing and selling. You'll also learn how The 4 Cs of the mortgage industry – Credit, Capacity, Capital and Collateral – can help determine whether a consumer will be a successful homeowner.

Once you have completed this course, you can better position yourself as an expert to your customers. You'll have the preparation and confidence to successfully:

- Explain to consumers how The Four Cs will affect their ability to purchase and own a home
- Preapprove and prequalify consumers
- Help consumers understand their loan options
- Guide consumers through the loan application process
- Process loans in order to make faster, prudent underwriting decisions

The mortgage business is a risk-based business. But the more you know and understand about the process, the more you can help minimize that risk for your company and your customers – and the more it will increase your success as a mortgage professional. We've put all the information you need in a convenient, easy-to-read package.

If you have questions about any of the information presented in *The Fundamentals of the Mortgage Process,* please contact your MGIC account representative, mgic.com/contact.

Symbol Key

We use the following icons throughout the *Fundamentals* program to highlight details, tips and shortcuts that will help you better understand the mortgage cycle.

Dictionary: Industry jargon and acronyms explained

File It: Important documents you must include in the loan file

Take Note: Information, shortcuts or exercises that can make your job easier

Checkpoint: Helpful review points to help you ensure you've got everything you need to complete the loan file

Check This Out: Information about MGIC resources relative to the topic at hand

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Understanding the Mortgage Cycle

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Taking the Loan Application

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Evaluating Credit, Capacity, Capital and Collateral

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BOOK 1

Understanding the Mortgage Cycle

Table of Contents

The Mortgage Cycle

In this section, we'll break down the Mortgage Cycle and see where you and your customers fit into the process. We'll also discuss where in the mortgage time line each process is located. From there, we'll take a closer look at the key players and their roles in the mortgage process.

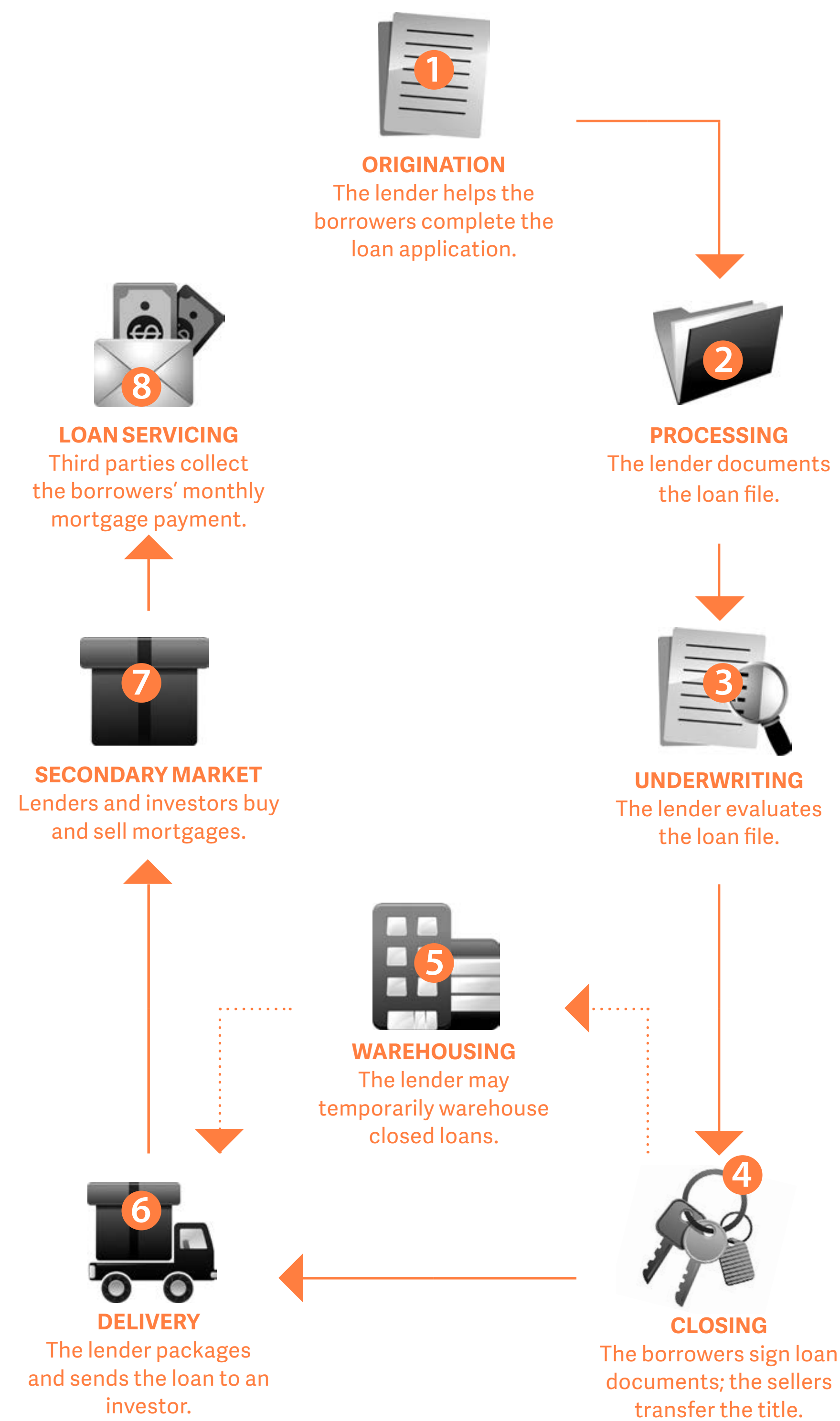
At the end of this section, you will be able to:

- Identify the 8 stages of the Mortgage Cycle
- Identify the key players and their roles in the Mortgage Cycle

Throughout this book:

- "Borrowers" refers to both multiple borrowers or a single borrower

The 8 Stages of the Mortgage Cycle



Stage 1: Origination

The Mortgage Cycle begins with consumers who want to finance the purchase of a home. To do so, they apply for a mortgage. The loan originator (LO) interviews the applicants over the phone, online or in person to complete the Uniform Residential Loan Application (URLA), commonly referred to as the "1003" (pronounced ten-oh-three) or the "Loan App."

The Loan App guides the Origination process. Working together, the LO and the borrowers gather the information and documentation that paint a picture of the borrowers' financial situation and the value of the property they wish to finance.

Sometimes the origination process begins even before consumers have found a home. Often, they will request preapproval from a lending institution to find out how much they can afford to spend and to prequalify for a mortgage.

While not a required step, a preapproval can serve your borrowers – and you – well:

- Your borrowers know how much home they can afford, so they can keep their search focused in that price range
- They can build a budget based on that price, a good step toward sustaining homeownership
- You can measure whether the borrowers can afford the mortgage and their willingness to pay
- Your borrowers are more attractive to sellers because a lender has determined that they can afford their offer

Mortgage Preapproval vs. Prequalification

Mortgage preapproval is based on the borrowers' verified income and asset information. With your help, they will complete a Loan Application. As their lender, you will check their credit, bank statements and other documentation and approve them for a specific loan amount.

Mortgage prequalification is also based on the borrowers' income and asset information that you have not verified. You'll provide your borrowers an estimate of how much they can afford.

For more information about preapproval and prequalification, refer your borrowers to readynest.com.

Stage 2: Processing

In Stage 2, the lender's loan processor centralizes and organizes all the information used to make a loan decision into a single file or loan package. This file represents the borrowers and the property. Using the information contained in the Loan App, the processor will order credit reports (if they haven't already been ordered) and a property appraisal. The processor also will initiate the collection of additional documents as dictated by the Loan App and/or the reports generated by an automated underwriting system (AUS), such as Fannie Mae's Desktop Underwriter® (DU) or Freddie Mac's Loan Product Advisor®.

The processor reviews the information on the Loan App against various supporting documents. In many organizations, the processor uses a variety of technologies, along with knowledge of lender and investor requirements, to determine the information and documentation necessary to complete the file. Once the file is complete, the processor reviews it for accuracy and then hands it off for underwriting or validation.

Stage 3: Underwriting

An underwriter determines whether to lend money to the borrowers during this stage of the Mortgage Cycle. The underwriter reviews and evaluates the information in the loan file to ensure the loan meets investor guidelines and is of investment quality – in other words, a good credit risk. This may be done with or without the assistance of an AUS.

The evaluation considers 4 critical areas of risk, known in the mortgage industry as The 4 Cs:

Credit: The borrowers' willingness to repay the loan based on their prior use of credit

Capacity: The borrowers' ability to repay based on the amount and stability of their income

Capital: The borrowers' investment in the property from savings and other sources

Collateral: Whether the property's value and marketability provide adequate security for the loan

Based on the results of the evaluation, the underwriter either approves or denies the loan, or suspends it for additional information.

Stage 4: Closing

Once approved, the loan is ready for the Closing stage of the Mortgage Cycle, where the sellers transfer ownership to the borrowers, and money is transferred among the parties involved in the transaction. The lender schedules the closing date and creates documents reflecting the repayment terms of the mortgage. At closing, the borrowers sign documents, and if their possession date is the same as their closing date, they receive the keys to their home. As far as the new homeowners are concerned, the process ends here – but the Mortgage Cycle rolls on.

Because mortgages are marketable assets that generate future revenue, the lender has several options to consider regarding the disposition of the closed loan. The lender may decide to:

- Keep and service the loan (see Stage 8: Loan Servicing) in its own portfolio or
- Keep servicing rights, but sell the loan to the Secondary Market or
- Sell both the loan and servicing rights to an investor

Portfolio: A collection of loans held by a lender for servicing and as an investment

Stage 5: Warehousing

Some lenders will hold closed loans for a short period of time before selling them to investors. This is called "warehousing."

Stage 6: Delivery

The lender will typically package loans and sell "the pool" of loans to an investor. Some loans are neither held in a portfolio, nor warehoused; instead, they are immediately sold to an investor. In the Delivery stage of the Mortgage Cycle, loans that have been underwritten to specific investor requirements – for example, all jumbo loans or all conforming loans – are packaged and delivered to investors.

In today's mortgage lending environment, the majority of loans are sold to investors in the "Secondary Mortgage Market," or more simply called the "Secondary Market" – the next stage in the Mortgage Cycle.

Stage 7: Secondary Market

Lenders and investors sell and buy mortgages in the Secondary Market. (Although the borrowers may not realize it, the sale of their mortgage was most likely arranged during origination, at the time the interest rate was locked.) By selling the loan to an investor, the lender gets money back to begin the whole cycle over again with new borrowers. Without the Secondary Market, many lenders would soon run out of money to lend.

Fannie Mae and Freddie Mac make up the largest buyers of mortgages in the Secondary Market. They provide a network for the purchase and sale of existing mortgages and mortgage pools in the Secondary Market. Fannie Mae and Freddie Mac buy loans and sell them in the form of Uniform Mortgage-Backed Securities (UMBS™), ensuring a continual flow of money to originate new mortgages throughout the country.

Secondary Market investors pool the loans they purchase in order to securitize them and sell the package as a mortgage-backed security (MBS).

Securitize: The process of taking a group of individual loans and pooling them together to form an investment very similar to a bond, known as a mortgage-backed security or an MBS. Each month, the principal and interest payments of the pooled mortgages are passed on to the owners of the security.

Stage 8: Loan Servicing

Regardless of whether a loan is held in portfolio or sold, it must be serviced. Loan servicing, sometimes called "loan administration," typically consists of collecting mortgage payments, funding escrow accounts to pay property taxes and insurance premiums, and passing principal and interest on to the investor. It also deals with collections and foreclosures.

Key Players in the Mortgage Cycle and Their Roles

Besides borrowers, the Mortgage Cycle's key players largely fall into 3 groups – lenders, intermediaries and investors. Lenders work with borrowers to create loans. Intermediaries package and move loans from lenders to investors, who are ultimately the source of the funds lent.

Borrowers

These are consumers financing or refinancing primary residences, second homes or investment properties with a mortgage loan.

Lenders

This broad term describes a role played by individuals, companies or institutions who lend money secured by real estate (mortgages).

Retail originators originate mortgages for their employer. They close loans in their employer's name and the employer's money funds the loans. Employers of retail originators include banks, credit unions and mortgage banks. In the retail channel, direct-to-consumer or call center teams respond to leads generated by the Internet, direct calls and existing customers.

Mortgage brokers originate mortgages for multiple wholesalers (see intermediaries below). They close loans in the wholesaler's name with the wholesaler's funds.

Correspondents combine the roles of retail originators and mortgage brokers. They originate or secure mortgages using their own funds with the intent to sell them to various intermediaries or investors. Correspondents may use a retail channel to originate loans and a wholesale channel to secure loans from mortgage brokers.

Intermediaries

Intermediaries move loans from origination to the end investor.

Government-Sponsored Enterprises (GSEs) include Fannie Mae and Freddie Mac. The GSEs serve as an intermediary when they sell mortgage-backed securities in the Secondary Market.

Wholesalers are organizations that provide funds for mortgage brokers. They package loans and sell them to correspondents, aggregators, the GSEs, etc.

Aggregators are companies whose purpose is to package loans for whole-loan and mortgage-backed securities to sell to investors.

Investors

The GSEs play an additional role in the Secondary Market, acting as an investor by holding mortgages as assets.

Depository institutions, insurance companies, investment firms, pension funds and foreign investors are also investors in the Secondary Market.

Other key players perform significant, specialized roles in the Mortgage Cycle:

- The US Department of Housing and Urban Development (HUD) insures loans
- The US Department of Veterans Affairs (VA), Federal Housing Administration (FHA) and US Department of Agriculture Rural Development (USDA-RD) guarantee mortgages
- Private mortgage insurance (PMI) companies, such as MGIC, insure loans against loss due to foreclosure
- Appraisal Management Companies (AMCs) provide market evaluation expertise
- Title companies insure against title defects
- Credit agencies provide data that enables lenders to make sound lending decisions
- Federal Home Loan Banks (FHLBs) provide funds for lending institutions who provide mortgages and similar loan agreements to individuals
- Housing Finance Agencies (HFAs) deliver financing to make the purchase, development and rehabilitation of affordable homes possible for low- and moderate-income households

Regulatory Compliance

Every working day in the mortgage industry, various federal and state laws and regulations that protect consumers will affect your job. As a mortgage professional, you are obligated to recognize and comply with these established requirements and prohibitions. Your obligation begins the moment borrowers call for information on mortgage products and services, and continues through loan closing.

Regulatory compliance is a VERY IMPORTANT component of mortgage lending. Your institution should provide you with the required details and directions to ensure compliance with all applicable laws and regulations.

Fundamentals will cover only the most significant ones that influence the residential mortgage industry. The following pages provide a high-level summary of these laws and regulations. Content is not intended to be complete or all-inclusive.

At the end of this section, you will be able to identify principal laws and regulations that govern the mortgage-lending process.

A High-Level Summary of Compliance

This material is intended to make you aware of these laws and regulations, but should not be considered a comprehensive regulatory guide or used as the basis for any specific action without obtaining the advice of your own knowledgeable and experienced counsel.

Fair Housing Act: The Fair Housing Act prohibits discrimination in the sale, rental and financing of residential housing in order to protect consumers against unfair activities that would deny them housing. It specifically prohibits discrimination based on race, color, national origin, religion, sex, disability or familial status.

Fair Credit Reporting Act (FCRA, pronounced, fik' - rah): Because virtually all mortgage lenders use credit reports to evaluate a borrower's credit history, they must adhere to FCRA requirements. This act promotes accuracy, fairness and privacy of information in the files of consumer reporting agencies. Among other requirements, FCRA limits who a credit reporting agency can furnish credit reports to, and places disclosure obligations on those who use consumer credit reports. FCRA also permits individuals to receive a copy of their report from a credit reporting agency and dispute any information they believe to be inaccurate.

Equal Credit Opportunity Act (ECOA, pronounced ee - ko' - ah): ECOA prevents financial institutions and other lenders from unlawfully discriminating in the evaluation of an applicant's creditworthiness. Among other requirements, ECOA obligates lenders and other creditors to make credit equally available without discrimination based on sex, race, religion, national origin, age (with some exceptions), marital status or receipt of public assistance. In short, its purpose is to require financial institutions to make credit equally available to all creditworthy applicants.

Homeowners Protection Act (HPA) of 1998: The HPA establishes rules for automatic termination and borrower cancellation of private mortgage insurance on home mortgages. These protections apply to certain home mortgages signed on or after July 29, 1999, for the purchase, initial construction or refinance of a single-family home. The protections do not apply to government-insured FHA or VA loans. The HPA protects homeowners from continuing to pay mortgage insurance once a mortgage's principal balance reaches 78% of the original value of the property. (For a purchase transaction, original property value is the lesser of the property sales price or appraised value. For a refinance transaction, original value is the appraised value.) Mortgage insurance is automatically cancelled at that point if the loan is current. The automatic termination and borrower cancellation requirements do not apply to loans with lender-paid private mortgage insurance.

The Gramm-Leach Bliley Act (GLB): GLB protects the privacy of certain nonpublic, consumer information. Under GLB, a lender is responsible for setting up controls to protect the privacy of borrower information, from application through archiving.

USA PATRIOT Act (Patriot Act): To help the government fight the funding of terrorism and money-laundering activities, the USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001) requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

Home Mortgage Disclosure Act (HMDA, pronounced hum' - da) and Regulation C: Unlike the Fair Housing Act and ECOA, HMDA does not prohibit housing discrimination. Rather, it requires lending institutions to report certain data regarding mortgage loan approvals and denials, such as the geographic location of the secured property; the loan applicant's race, ethnicity and sex; and whether the loan was granted. The lending data reported under HMDA is publicly available and can be used to determine whether financial institutions are:

1. Serving the housing needs of their communities and
2. Engaged in possible discriminatory lending patterns (i.e., "redlining")

This information helps the government identify neighborhoods that could use its assistance. It's important to remember that while HMDA is used to monitor unfair lending practices, it does not encourage unsound, risky lending.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank): Enacted in July 2010 in an effort to prevent another financial crisis, Dodd-Frank enforces transparency and accountability in the financial industry with regulatory processes that help protect consumers. Arguably, the Act brought the most significant changes to financial regulation since the Great Depression. It includes numerous provisions to reform the mortgage lending industry, including the creation of the Consumer Financial Protection Bureau (CFPB), Qualified Mortgages (QMs) and the TILA-RESPA Integrated Disclosures (TRID).

Consumer Financial Protection Bureau (CFPB): The Dodd-Frank Act established the CFPB to help educate consumers so they can make the best financial decisions for themselves and their families. The Bureau is also charged with protecting consumers from predatory lending practices by banks, credit unions and other financial companies, by enforcing and monitoring financial markets.

The CFPB is responsible for regulating the practices of mortgage lenders, servicers, brokers, appraisers and settlement firms, among other "covered persons" and "service providers." It also enforces consumer protection laws, such as the SAFE Act, TILA and RESPA.

Qualified Mortgages (QMs) and the Ability-To-Repay (ATR) Requirement: Dodd-Frank introduced the Qualified Mortgage as part of the Ability-to-Repay rule. ATR's purpose is to ensure mortgage lenders extend credit based on a reasonable, good faith determination of a consumer's ability to repay. If a mortgage is considered a "Qualified Mortgage," the lender is presumed to have complied with the ATR rule and receives certain liability protection. All QM loans must meet a certain set of product features and underwriting requirements along with any other applicable rules.

The ATR requirement means the creditor must make "a reasonable and good faith determination" that the borrower has the ability to repay the loan according to its terms. A creditor can satisfy the ATR requirement by evaluating the following underwriting factors:

- Current income or assets
- Current employment status
- Credit history
- The monthly payment for the mortgage
- The monthly payments on any other loans associated with the property
- The monthly payment for other mortgage-related obligations (such as property taxes and insurance)
- Other debt obligations
- The borrower's monthly DTI ratio or residual income after the transaction

If a loan is a QM loan, the creditor will be considered compliant with the ATR requirement.

TILA-RESPA Integrated Disclosures (TRID): Under the direction of the Dodd-Frank Act, the CFPB integrated the 1968 Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act of 1974 (RESPA) disclosures, effective Oct. 3, 2015.

Loan Estimate (LE): The Loan Estimate (see Appendix A, page 10) helps consumers understand the key features, costs and risks of the mortgage loan for which they are applying. Creditors must issue the LE to consumers no later than 3 business days after they submit a loan application.

Closing Disclosure (CD): Creditors must provide the Closing Disclosure (see Appendix B, page 13) to consumers 3 business days before they close on a loan.

The integrated disclosures use clear language to make it easier for consumers to locate key information, including interest rate, monthly payments and closing costs. The forms also provide more information to help consumers decide whether they can afford the loan and to compare the cost of different loans, including the cost of the loans over time.

The LE and CD generally require the disclosure of categories of information that will vary, based on the loan type, the loan's payment schedule, the fees charged, the terms of the transaction and certain state law provisions.

Most closed-end consumer mortgages secured by real property require use of these disclosures. The exceptions are:

- Home Equity Lines of Credit (HELOCs)
- Reverse mortgages
- Mortgages secured by a mobile home or dwelling not attached to real property
- Loans made by persons who are not considered "creditors" under TILA because they originate 5 or fewer mortgages a year

Redlining: The illegal act of denying credit to persons residing in specific geographic areas or using discriminatory lending practices based on location.

The More You Know, The More You Grow

With all your new-found knowledge, you're well on your way to being ready to help your borrowers. Yes, there's more to learn, but let's save that for the next *Fundamentals* book, *Taking the Loan Application*.

For more information about our *Fundamentals* training series, contact your MGIC account representative, mgic.com/contact.

Appendices

For more information on the Loan Estimate and Closing Disclosure forms, visit consumerfinance.gov.

Appendix A
Loan Estimate (LE) Form

Note: Information on the form may vary based on the loan purpose and loan product.

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY
SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE ☐ Conventional ☐ FHA ☐ VA ☐ ______________
LOAN ID #
RATE LOCK ☐ NO ☐ YES, until
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount		
Interest Rate		
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*		
		Does the loan have these features?
Prepayment Penalty		
Balloon Payment		

Projected Payments

Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow *Amount can increase over time*	
Estimated Total Monthly Payment	

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	**This estimate includes** ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?**

Costs at Closing

Estimated Closing Costs	Includes in Loan Costs + in Other Costs – in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	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 #

Closing Cost Details

Loan Costs

A. Origination Charges

% of Loan Amount (Points)

B. Services You Cannot Shop For

C. Services You Can Shop For

D. TOTAL LOAN COSTS (A + B + C)

Other Costs

E. Taxes and Other Government Fees

Recording Fees and Other Taxes
Transfer Taxes

F. Prepaids

Homeowner's Insurance Premium (months)
Mortgage Insurance Premium (months)
Prepaid Interest (per day for days @)
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

I. TOTAL OTHER COSTS (E + F + G + H)

J. TOTAL CLOSING COSTS

D + I
Lender Credits

Calculating Cash to Close

Total Closing Costs (J)
Closing Costs Financed (Paid from your Loan Amount)
Down Payment/Funds from Borrower
Deposit
Funds for Borrower
Seller Credits
Adjustments and Other Credits
Estimated Cash to Close

Additional Information About This Loan

LENDER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

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	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	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 ___ days late, we will charge a late fee of _______________
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 #

Appendix B
Closing Disclosure (CD) Form

Note: Information on the form may vary based on the loan purpose and loan product.

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
Closing Date
Disbursement Date
Settlement Agent
File #
Property
Sale Price

Transaction Information
Borrower
Seller
Lender

Loan Information
Loan Term
Purpose
Product
Loan Type ☐ Conventional ☐ FHA ☐ VA ☐ ______________
Loan ID #
MIC #

Loan Terms		**Can this amount increase after closing?**
Loan Amount		
Interest Rate		
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*		
		Does the loan have these features?
Prepayment Penalty		
Balloon Payment		

Projected Payments	
Payment Calculation	
Principal & Interest Mortgage Insurance Estimated Escrow *Amount can increase over time*	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	**This estimate includes** ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: **In escrow?** *See Escrow Account on page 4 for details. You must pay for other property costs separately.*

Costs at Closing	
Closing Costs	Includes in Loan Costs + in Other Costs – in Lender Credits. *See page 2 for details.*
Cash to Close	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

CLOSING DISCLOSURE PAGE 1 OF 5 • LOAN ID #

Closing Cost Details

Loan Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges					
01 % of Loan Amount (Points)					
02					
03					
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
09					
10					
C. Services Borrower Did Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)					
Loan Costs Subtotals (A + B + C)					

Other Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
E. Taxes and Other Government Fees					
01 Recording Fees Deed: Mortgage:					
02					
F. Prepaids					
01 Homeowner's Insurance Premium (mo.)					
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest (per day from to)					
04 Property Taxes (mo.)					
05					
G. Initial Escrow Payment at Closing					
01 Homeowner's Insurance per month for mo.					
02 Mortgage Insurance per month for mo.					
03 Property Taxes per month for mo.					
04					
05					
06					
07					
08 Aggregate Adjustment					
H. Other					
01					
02					
03					
04					
05					
06					
07					
08					
I. TOTAL OTHER COSTS (Borrower-Paid)					
Other Costs Subtotals (E + F + G + H)					

J. TOTAL CLOSING COSTS (Borrower-Paid)					
Closing Costs Subtotals (D + I)					
Lender Credits					

CLOSING DISCLOSURE PAGE 2 OF 5 • LOAN ID #

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)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
Cash to Close			

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	
01 Sale Price of Property	
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	
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	
12	
13	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	
01 Deposit	
02 Loan Amount	
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 to	
13 County Taxes to	
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	
Total Paid Already by or on Behalf of Borrower at Closing (L)	
Cash to Close ☐ From ☐ To Borrower	

SELLER'S TRANSACTION

M. Due to Seller at Closing	
01 Sale Price of Property	
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	
13	
14	
15	
16	
N. Due from Seller at Closing	
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	
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 to	
15 County Taxes to	
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	
Total Due from Seller at Closing (N)	
Cash ☐ From ☐ To Seller	

CLOSING DISCLOSURE PAGE 3 OF 5 • LOAN ID #

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 ___ days late, your lender will charge a late fee of ______________________________

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 ______________________________

____

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		Estimated total amount over year 1 for your escrowed property costs:
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		A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment		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.

CLOSING DISCLOSURE PAGE 4 OF 5 • LOAN ID #

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.	
Finance Charge. The dollar amount the loan will cost you.	
Amount Financed. The loan amount available after paying your upfront finance charge.	
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	

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Questions? If you have questions about the loan 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**

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.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name					
Address					
NMLS ID					
___ License ID					
Contact					
Contact NMLS ID					
Contact ___ License ID					
Email					
Phone					

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

mortgage guaranty
insurance corporation

MGIC Plaza
Milwaukee, WI 53202
mgic.com

71-42870 12/20