

Example 4 – Hybrid Fixed Rate Adjustable Rate Mortgage

THESE ARE YOUR LOAN DETAILS

The following is a summary of many important details involving the mortgage loan for 123 Main Street, Hometown, USA 00000. Let's compare these important details with the Good Faith Estimate (GFE), loan documents, and other disclosures.

<u>Loan Amount</u>	<u>Loan Term</u>	<u>Loan Type</u>
\$300,000.00	30 year	Conventional Hybrid Adjustable Rate Mortgage

Hybrid Adjustable Rate Mortgage

Your loan is a hybrid adjustable rate mortgage.

You have an initial fixed interest rate of **6.5%**. As long as your interest rate remains fixed, your interest rate will not rise.

Your initial fixed interest rate will change to an adjustable rate mortgage on the first change date, **June 1, 2009**. The adjustable interest rate may change every **12 months** thereafter. Your interest rate can increase or decrease by **2.0%** on every change date, but will never be lower than **4.5%** or higher than **10.5%** over the life of the loan.

When your loan changes from a fixed interest rate to an adjustable interest rate, your interest rate can rise.

Payment

Your initial loan payment for principal and interest (**\$1896.20**) and mortgage insurance (**\$0**) is **\$1896.20** and **can rise**.

The highest your principal and interest payment can reach, based on the maximum interest rate of **10.5%** is **\$2744.22**. The earliest it can reach this is **January 1, 2011**.

You do not have an escrow account. Any and all items such as property taxes and homeowners insurance must be paid directly by you.

Your total initial payment is **\$1896.20** for principal, interest, and any mortgage insurance.

Late Payment

Your loan payment is due on the **1st** of every month and is considered late after the **15th** of every month. If your lender receives your mortgage payment after the **15th**, your lender will charge a late fee of **5%** of your loan payment.

Loan Balance

Your loan balance **cannot** rise.

Prepayment Penalty

You **have** a pre-payment penalty.

A prepayment penalty is an additional amount that you will be required to pay if you pay your loan off early such as through the sale of your home, refinancing your loan, or if you make significant additional payments to principal prior to **June 1, 2010**. Based on your initial loan amount, your prepayment penalty may be as high as **\$9,400.00**.

Balloon Payment

You **do not have** a balloon payment.

Closing Costs

Next we will review all of the HUD-1/1A charges and credits associated with your loan and compare them to the GFE you received when you applied for this loan.

GFE & HUD-1/1A Charges Comparison Chart

	Good Faith Estimate	HUD-1/1A	\$ Increase
Charges Cannot Increase			
Our service charge (HUD-1/1A Line #801)	\$6,000.00	\$6,000.00	0
Your credit or charge for the specific interest rate chosen (HUD-1/1A Line #802)	-\$4,000.00	-\$4,000.00	0
Your Adjusted Origination Charges (HUD-1/1A Line #803)	\$2,000.00	\$2,000.00	0
Government recording and transfer charges (HUD-1/1A Line #1201)	\$1,250.00	\$1,250.00	0
Charges Cannot Increase More Than 10%			
Appraisal (HUD-1/1A Line #804)	\$295.00	\$325.00	
Credit Report (HUD-1/1A Line #805)	\$21.00	\$21.00	
Tax service (HUD-1/1A Line #806)	\$70.00	\$75.00	
Flood certification (HUD-1/1A Line #807)	\$12.00	\$15.00	
Mortgage Insurance Premium (HUD-1/1A Line #902)			
<u>Title services and lender's title insurance</u> (HUD-1/1A Line #1101)	\$975.00	\$975.00	
<u>Optional owner's title insurance</u> (HUD-1/1A Line #1110)	\$679.00	\$725.00	
_____ (HUD-1/1A Line #____)			
Total	\$2052.00	\$2136.00	+ 84
* Increase between GFE and HUD-1/1A Charges	4%		
Charges Can Change			
Reserves or escrow (HUD-1/1A Line #1001)	\$262.00	\$262.00	
Daily interest charges (HUD-1/1A Line #901) <u>\$53.42</u> per day	\$213.69	\$427.36	
Homeowners insurance (HUD-1/1A Line #903)	\$600.00	\$615.00	
<u>Survey</u> (HUD-1/1A Line #1301)	\$150.00	\$150.00	
<u>Pest inspection</u> (HUD-1/1A Line #1302)	\$35.00	\$35.00	
_____ (HUD-1/1A Line #____)			

Acknowledgement

The undersigned hereby state that the Closing Script was read and the following information was provided and explained:

1. The comparison between the charges listed on the HUD-1/1A settlement form and the estimate of charges on the GFE;
2. Whether or not the tolerances have been met within the applicable categories between the GFE and the HUD-1/1A; and
3. Any inconsistencies between the loan documents (including the mortgage note) and the summary of the loan terms on the GFE, and between the HUD-1/1A settlement charges and the charges stated on the GFE.

_____ (Representative) _____ (Company)

_____ (Borrower) _____ (Borrower)

_____ (Date)