

## Example 5 – Fixed Interest Rate with Balloon Payment – Interest Only

### 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>
<b>\$300,000.00</b>	<b>15 year</b>	<b>Conventional Fixed Rate Interest Only Balloon</b>

#### Fixed Interest Rate

Your loan has a fixed interest rate of **7.5%**.

A fixed interest rate means that your interest rate will not rise over the life of the loan.

#### Payment - Interest-Only Mortgage

Your loan payment for interest (**\$1875.00**) and mortgage insurance (**\$62.00**) is **\$1937.00** and **cannot rise**. This will not reduce the principal balance of your loan.

You have an escrow account. In addition to any mortgage insurance, your initial escrow payment is **\$200.00** for property taxes and homeowners insurance. This amount may increase.

Your total payment is **\$2137.00** for interest, any mortgage insurance, property taxes and homeowners 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 the overdue payment of principal and interest.

#### 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 Loan**

Your loan has a balloon payment. At the end of the loan term, any balance remaining will have to be paid. In the case of a balloon loan, often very little, if any, of the loan balance is paid down, therefore, the last payment, the balloon payment can be most of the initial loan balance. Most consumers with a balloon note refinance their loan before the final balloon payment becomes due.

Your balloon payment will become due on **April 1, 2023** in the amount of **\$300,000.00**.

### **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
<b>Charges Cannot Increase</b>			
Our service charge (HUD-1/1A Line #801)	\$6,000.00	\$6,000.00	<b>0</b>
Your credit or charge for the specific interest rate chosen (HUD-1/1A Line #802)	-\$4,000.00	-\$4,000.00	<b>0</b>
Your Adjusted Origination Charges (HUD-1/1A Line #803)	\$2,000.00	\$2,000.00	<b>0</b>
Government recording and transfer charges (HUD-1/1A Line #1201)	\$1,250.00	\$1,250.00	<b>0</b>
<b>Charges Cannot Increase More Than 10%</b>			
Appraisal (HUD-1/1A Line #804)	\$300.00	\$300.00	
Credit Report (HUD-1/1A Line #805)	\$40.00	\$45.00	
Tax service (HUD-1/1A Line #806)	\$70.00	\$92.00	
Flood certification (HUD-1/1A Line #807)	\$12.00	\$15.00	
Mortgage Insurance Premium (HUD-1/1A Line #902)	\$62.00	\$62.00	
<u>Title services and lender's title insurance</u> (HUD-1/1A Line #1101 )	\$975.00	\$1015.00	
<u>Optional owner's title insurance</u> (HUD-1/1A Line #1110 )	\$725.00	\$775.00	
_____ (HUD-1/1A Line # _____ )			
<b>Total</b>	<b>\$2184.00</b>	<b>\$2304.00</b>	<b>+ 120</b>
<b>* Increase between GFE and HUD-1/1A Charges</b>	<b>5%</b>		
<b>Charges Can Change</b>			
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	\$600.00	
<u>Survey</u> (HUD-1/1A Line #1301 )	\$175.00	\$175.00	
<u>Pest Inspection</u> (HUD-1/1A Line #1302 )	\$45.00	\$45.00	
_____ (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)