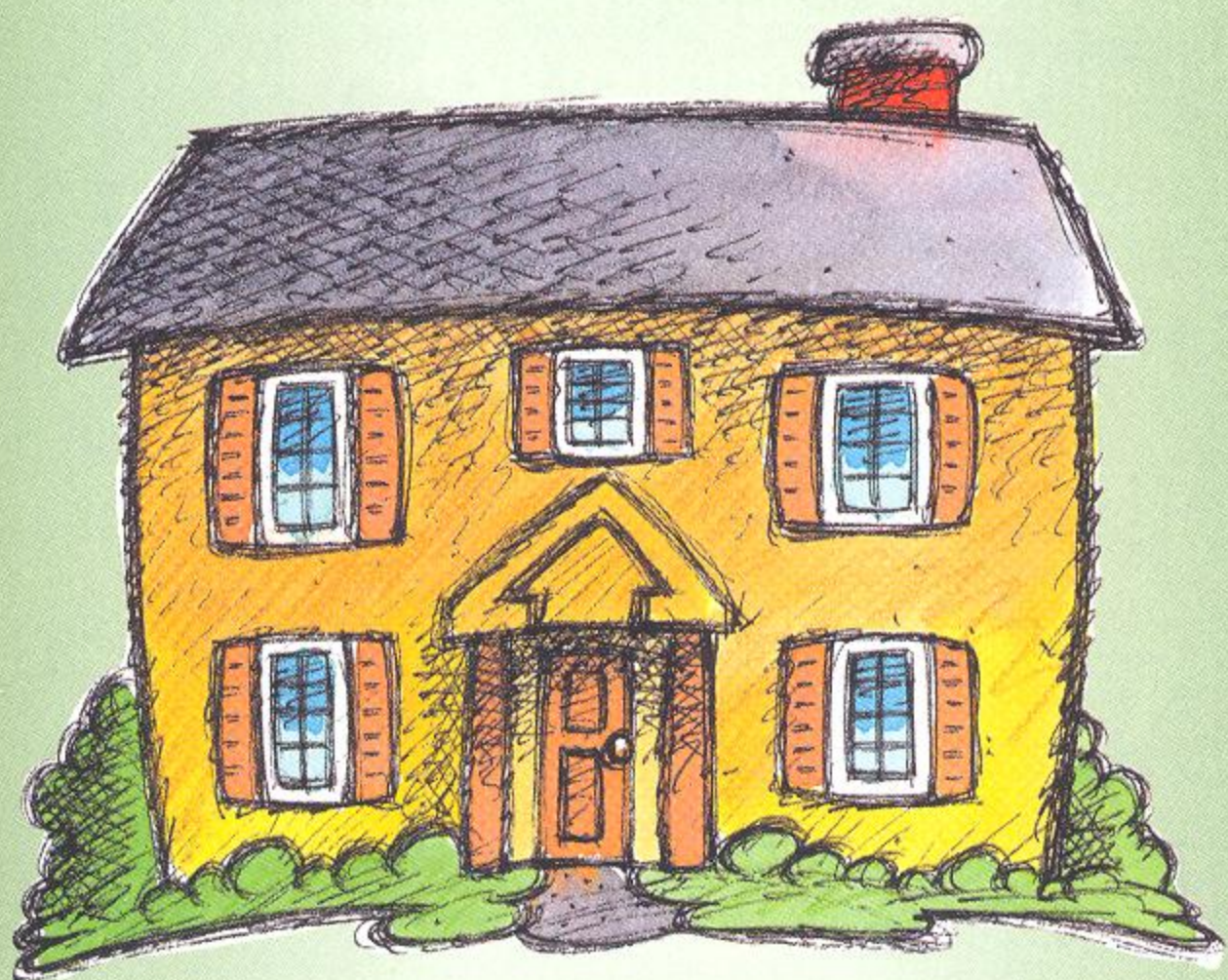


# Mortgage Loans



**UNDERSTAND THE  
TERMS OF YOUR LOAN  
BEFORE YOU SIGN...**





***This brochure is designed to assist you in identifying the terms of your mortgage loan, determining what terms are best for your situation, and identifying issues you should be aware of before entering into a mortgage loan transaction.***

**M**ortgage loans are secured by your home. The loan amount is based on a home's value — the amount of the loan will be determined by the value of your home minus any liens or unpaid mortgage(s). ***In the event you are unable to meet the monthly payment for the mortgage, the lender can foreclose and take your home.***

**S**tandard home equity loans or second mortgages are closed-end loans that can have a fixed term, a fixed interest rate, and fixed monthly payments, or they can carry an adjustable interest rate that fluctuates with a key index, such as the prime rate.

**H**ome equity lines of credit are open-end loans or revolving credit lines meaning you can draw in amounts and at times when you have the need. The lender provides you with checks or other items to access your credit line. You may draw upon the account as long as you don't exceed your line of credit. The amount of the monthly payment is based on the amount of credit you have used. Some lenders may charge a fee for the use of the line of credit.

## Can You Afford This Loan?

Before applying for a mortgage loan, make sure that you have sufficient money for your expenses and borrow only when you can afford it.

If you're spending less each month than you take home, and the additional debt load will not cut into the amount you've committed to savings, only then should you consider taking on additional debt.

Once you have established the amount you want to borrow, take time to figure out what you can afford for a monthly payment without putting a strain on your budget.

## Monthly Spending Plan

- [1]** Start with your monthly take-home pay. This is the amount you have left after taxes and other deductions have been made. Include regular, part-time and other sources of income.
- [2]** Subtract the amount you need for saving, monthly expenses and monthly credit/loan payments.
- [3]** The balance is the amount you can safely apply to debt repayment or saving.

**The "Current" [4] column helps you determine how much credit you can afford and if adjustments need to be made.**

**The "Revised" [5] column reflects your new mortgage payment and adjustments you've made to expenses and credit obligations.**



# Monthly Spending Plan

Current <sup>[4]</sup> Revised <sup>[5]</sup>

[1] Monthly Take Home \$ \_\_\_\_\_ \$ \_\_\_\_\_

[2] Saving - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

## Monthly Expenses:

Mortgage Payment/Rent - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Utilities - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Food - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Transportation - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Insurance (Home,Car,Life) - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Taxes - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Clothing - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Personal - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Entertainment - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Gifts & Contributions - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Family - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Education - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Credit Card Payments - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Car Payments - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Other Loan Payments - \$ \_\_\_\_\_ - \$ \_\_\_\_\_

[3] Remaining Balance = \$ \_\_\_\_\_ = \$ \_\_\_\_\_

# Shop for the Best Deal When Borrowing For A Mortgage Loan

Just because a lender is willing to make you a loan doesn't mean that it is the right loan for you. *Take the time to know and understand all of the terms, conditions and costs of a loan before you sign the contract.* (See definitions on back page.)

Loan Amount \$ \_\_\_\_\_

Monthly Payment Amount \$ \_\_\_\_\_

Length of Loan in Months or Years \_\_\_\_\_

Annual Percentage Rate (APR) \_\_\_\_\_%

Finance Charge \$ \_\_\_\_\_

Fixed Rate (Yes No) \_\_\_\_\_%

Adjustable Rate (Yes No) \_\_\_\_\_%

How much can it change? \_\_\_\_\_%

Broker Fee (Yes No) \$ \_\_\_\_\_

Points (Yes No) \_\_\_\_\_

Penalty for Prepayment (Yes No) \_\_\_\_\_

Application Fee (Yes No) \$ \_\_\_\_\_

Service Fee (Yes No) \$ \_\_\_\_\_

## Closing Costs:

Attorney Fees \$ \_\_\_\_\_

Title Search \$ \_\_\_\_\_

Appraisal Fee \$ \_\_\_\_\_

Mortgage Deed Filing \$ \_\_\_\_\_

Annual Fee \$ \_\_\_\_\_

Other Fees \$ \_\_\_\_\_

Balloon Provision(s) (Yes No) \_\_\_\_\_

How much/when due \$ \_\_\_\_\_

Arbitration Clause (Yes No) \_\_\_\_\_

Is there a cost to you? \$ \_\_\_\_\_

*Review and compare the terms offered by more than one lender.*



# Know the Terms of Your Loan Before You Sign!

**Loan Amount** — The dollar amount of the credit that is provided to you. This includes any cash you receive, as well as, the amounts you may pay to other creditors and fees paid by you or your lender.

**Monthly Payment Amount** — The dollar amount due each month to repay the loan.

**Annual Percentage Rate or "APR"** — The APR is a measure of the cost of a loan including any finance charges and additional fees.

**Finance Charge** — The total dollar amount you pay to use credit.

◆ **Fixed Rate** — You make equal monthly payments of principal and interest until the debt is paid in full.

◆ **Adjustable Rate** — Interest rate changes over the life of the loan, resulting in possible changes in the monthly payments, loan term, and/or principal. Some plans have rate or payment limits, so your payment cannot go above a fixed amount.

◆ **Points** — Finance charges paid at the beginning of a loan. One point equals one percent of the loan amount.

**Broker Fee** — A fee that can be charged directly to the borrower or financed in the loan; the fee may include compensation provided from the lender to the broker.

**Credit Insurance** — Optional insurance that is designed to repay the debt if the borrower dies or becomes disabled. Cost of credit insurance coverage must be disclosed in writing. You are entitled to receive a copy of the certificate of insurance from the lender.

**Penalty For Prepayment** — These are extra fees that may be due if you pay off the loan early by refinancing or selling your home.

**Application Fee** — A fee to cover the costs of processing the application, documentation and verification.

# Know the Terms of Your Loan Before You Sign! *(continued)*

**Service Fee** — A fee charged to process the monthly payment associated with the loan.

**Closing Costs** — Such as attorney's fee, title search, appraisal fee, filing of the mortgage deed, points, and annual fees. Before closing your loan, the lender must provide you with a detailed list of your actual closing costs.

**Balloon Payment** — This is a large payment usually at the end of the loan term often after a series of low monthly payments.

**Arbitration Clause** — A provision in the contract that states that disputes will be handled through arbitration. Arbitration requires the borrower and lender to use a third-party to settle the dispute.



## Remember...

- ✓ You can lose your home if you don't make the payments on your mortgage or home equity loan.
- ✓ You should only sign a contract after you have read the contract; your questions have been answered; and all blank spaces have been filled in.
- ✓ You need to make sure the loan payment and terms you were quoted agree with the loan payment and terms on your paperwork.
- ✓ You have the legal right to cancel a credit transaction on a refinanced or consolidation loan within three business days from the day the transaction is completed or closed.
- ✓ You have the right to change your mind on a *home purchase mortgage loan* at any time prior to the loan closing.



# For More Information



## **American Financial Services Association (AFSA)**

### **AFSA Education Foundation**

919 Eighteenth Street, NW

Washington, DC 20006

Phone: 888-400-2233

Websites: [www.afsaef.org](http://www.afsaef.org),  
[www.afsaonline.org](http://www.afsaonline.org)



## **American Association of Residential Mortgage Regulators**

1255 Twenty-Third Street, NW,  
Suite 200

Washington, DC 20037-1174

Phone: 202-521-3999

Website: [www.aarmr.org](http://www.aarmr.org)



## **National Association of Consumer Credit Administrators**

P.O. Box 20871

Columbus, OH 43220

Website: [www.naccaonline.org](http://www.naccaonline.org)

## Reviewed and Endorsed by:



## **American Bankers Association**

Website: [www.aba.com](http://www.aba.com)



## **America's Community Bankers**

Website: [www.AmericasCommunityBankers.com](http://www.AmericasCommunityBankers.com)

## **Consumer Mortgage Coalition**



## **National Home Equity Mortgage Association**

Website: [www.nhema.org](http://www.nhema.org)

## **State Corporation Commission Bureau of Financial Institutions**

P. O. Box 640

Richmond, VA 23218-0640

804-371-9657

Website: [www.scc.virginia.gov](http://www.scc.virginia.gov)