

## How to Read a Loan Document

When looking at a loan, the three questions you should ask are:

1. How much is the **interest rate**?
2. How much are the **origination fees**?
3. Am I being **charged for things I didn't buy** or don't want?

Finding the answers to these questions requires looking at two documents that are required to be part of every loan by federal law. They are:

- **HUD Settlement Form**
- **Federal Truth In Lending Disclosure Statement**

The next pages will point out what to look for on these forms.

**WARNING:** Not all federal forms look alike. These forms can vary in layout from lender to lender. Also, there can be important information in other parts of the loan document about fees and terms. **These examples are for introduction to loan terms only, and can not replace the advice of a good lawyer or credit counselor.** If something about a loan makes you uncomfortable, ask someone you trust to look over it for you. Contact your local legal services office or credit counseling agency. Don't ever feel pressured to sign something that doesn't feel right.

## What to Look for on The Federal Truth In Lending Disclosure Statement

FEDERAL TRUTH IN LENDING DISCLOSURE STATEMENT

Date: 01/30/98  
 Loan No: [REDACTED]  
 Borrower: [REDACTED]  
 Property: [REDACTED], NORTH CAROLINA [REDACTED]

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit as a yearly rate. 12.892%	The dollar amount the credit will cost you. \$23,079.29	The amount of credit provided to you or on your behalf. \$17,962.39	The amount you will have paid after you have made all payments as scheduled. \$41,041.68

Your Payment Schedule Will Be:

Number of Payments	Amount of Payments	Payments are Due Monthly, Beginning
179 1	228.02 226.10	04/01/98 03/01/13

**DEMAND FEATURE:** This obligation does not have a demand feature.  
**VARIABLE RATE FEATURE:** Your loan does not contain a variable-rate feature.  
**SECURITY:** You are giving a security interest in the above referenced property.  
**PROPERTY INSURANCE:** You may obtain property insurance from anyone you want that is acceptable to Lender.  
**LATE CHARGES:** If your payment is more than 15 days late, you will be charged a late charge of U.S. \$9.12.  
**PREPAYMENT:** If you pay off your loan early, you will not have to pay a penalty and you will not be entitled to a refund of part of the finance charge.  
 See your contract documents for any additional information regarding nonpayment, default, required repayment in full before the scheduled date, and prepayment refunds and penalties.

The payment amounts listed in the payment schedule include amounts for principal, interest, and any mortgage insurance, but do not include monthly escrow deposits for hazard and/or flood insurance, taxes or assessments.

See reverse for Insurance Disclosures

[Barcode]

Page 1 of 2

### Annual Percentage Rate

This is the interest rate of the loan

### Number and Amount of Payments

This is where to check if there is a "balloon payment." A balloon payment is one big payment at the end of the loan. If this loan had 179 payments of \$200, and then one payment of \$50,000, it would have a balloon payment. All the payments should be the same or very similar.

# What to Look for on The HUD Settlement Statement

## SETTLEMENT STATEMENT

U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

NAME & ADDRESS OF BORROWER:		NAME & ADDRESS OF LENDER:	
PROPERTY LOCATION:		SETTLEMENT AGENT:	
		PLACE OF SETTLEMENT:	
		DATE OF SETTLEMENT: June 15, 1993	
		Disburse: 06-19-90	
		LOAN NUMBER:	
<b>SETTLEMENT CHARGES</b> 1000 PAYEE IN CONNECTION WITH LOAN 1001 Loan Disc. \$ 7,400.00 1002 Appraisal Fee APPRAISALS 250.00 1003 PROVISIONS FEE 370.00 1004 FLOOD CERT 53.00 1005 LIFE FLOOD 11.00 1006 CHOP LIFE THROUGH 7,980.00 1007 TAX SERVICE 72.00 1008 BROWER FEE 254.00		<b>DISBURSEMENT TO OTHERS</b> 1501 180.00 1502 2,460.00 1503 53.00 1504 75.00 1505 911.00 1506 2,110.00 1507 260.00 1508 1509 1510 1511 1512 1513 1514 1515 1516 1517 1518 1519 1520 TOTAL DISBURSED (enter on line 1603) 58,626.00	
1009 INTEREST REQUIRED BY LENDER TO BE PAID IN ADVANCE 1010 Interest 06-19-90 to 07-01-90 @ 20.75% APR 249.43 1011 Maximum Insurance Premium for months 1012 Hazard Ins. From for 1 yr		1600 Loan Amount \$ 76,500.00 1601 Plus Cash/Check from Borrower \$ 0.00 1602 Minus Total Settlement Charges (line 1000) \$ 15,967.22 1603 Minus Total Disbursements to Others (line 1520) \$ 58,626.00 1604 Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law) \$ 1,006.78	
<b>1000 RESERVES DEPOSITED WITH LENDER</b> 1001 Hazard Insurance 9.000 months @ \$ 27.50 per month 249.50 1002 Mortgage Ins. months @ \$ per month 1003 City/Town Taxes 10.000 months @ \$ 48.18 per month 481.80 1004 County Taxes months @ \$ per month 1005 Assessment months @ \$ per month 1006 months @ \$ per month -49.23		<b>NET SETTLEMENT</b> 1600 Loan Amount \$ 76,500.00 1601 Plus Cash/Check from Borrower \$ 0.00 1602 Minus Total Settlement Charges (line 1000) \$ 15,967.22 1603 Minus Total Disbursements to Others (line 1520) \$ 58,626.00 1604 Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law) \$ 1,006.78	
<b>1100 TITLE CHARGES</b> 1101 Settlement Fee 1102 Title Search 1103 Title Examination 1104 Title Ins. Binder 1105 Document Prep. 1106 Notary Fees 1107 Attorney's fees 460.00 (includes above item numbers) 1108 Title Insurance CAROLINA TITLE COMPANY 154.00 (includes above item numbers) 1109 Lender's Coverage \$ 77,000.00 1110 Owner's Coverage \$		Title Insurance Disbursed As follows: \$154.00 to CAROLINA TITLE COMPANY INC.	
<b>1200 GOVERNMENT RECORDING AND TRANSFER CHARGES</b> 1201 Recording fees: Mortgage \$ Release \$ 28.00 1202 City/County Tax/Stamp charges \$ 1203 State Tax/STAMP: Mortgage \$ 1204 1205			
<b>1300 ADDITIONAL SETTLEMENT CHARGES</b> 1301 Survey 1302 Pest Inspection 1303 1304 1305			
1400 TOTAL SETTLEMENT CHARGES (enter on line 1602) 15,967.22			

**Settlement Charges**  
 These are the up-front fees — the amount you'll pay before getting the loan. These are blown up on the next page.

**Disbursements to Others**  
 Who is getting paid off? It may not be a good deal to consolidate all of this debt, if the new loan is at a higher interest rate.

**Refinancing**  
 Instead of getting a home equity loan, this loan is refinancing the borrower's entire previous mortgage at a higher interest rate.

What to look for on the *Settlement Charges* section of the HUD Settlement Statement.

L. SETTLEMENT CHARGES		
800 ITEMS PAYABLE IN CONNECTION WITH LOAN		
801	Loan Orig. 9.7400 x <del>UNITED COMMERCIAL BANK</del>	7,449.50
802	Loan Disc. <del>UNITED COMMERCIAL BANK</del>	
803	Appraisal Fee <del>UNITED COMMERCIAL APPRAISALS</del>	300.00
804	PROCESSING FEE <del>UNITED COMMERCIAL BANK</del>	370.00
805	FLOOD CERT <del>UNITED COMMERCIAL BANK</del>	11.00
805	LIFE FLOOD <del>UNITED COMMERCIAL BANK</del>	11.00
807	CREDIT LIFE INSURAN <del>UNITED COMMERCIAL BANK</del>	2,982.00
808	TAX SERVICE <del>UNITED COMMERCIAL BANK</del>	20.00
809	BROKER FEE <del>UNITED COMMERCIAL BANK</del>	3,254.14
810		
811		
812		
813		
814		

**Broker Fee**

How much is the loan broker getting paid? Sometimes brokers take kickbacks from lenders for putting borrowers into a more expensive loan.

**Credit Life Insurance**

Insurance should be paid monthly, NOT in one lump sum upfront. Often lenders slip in credit insurance that borrowers don't want and don't know they're buying.

**Loan Origination Fee**

A normal loan origination fee is 2% or less of the total loan amount. This borrower was charged almost 10%.