

Category: Before & After (Revised Documents)

Entry title: CFPB Loan Estimate Form

Owner's organization: Consumer Financial Protection Bureau

Organization type: Public sector / government

Publication date: 2013

Tell us about your entry:

The Loan Estimate disclosure was designed for consumers shopping for a mortgage. The language and format was created to be a one-page summary of key details with two pages of additional details. The one page summary provides basic loan information and key loan terms as well as if and how they can change. It provides long-term and short-term affordability information: long term with a section on how payments can change over time and short-term affordability with a section on the closing costs and cash needed to close sections. Starting in 2015, all lenders must use the Loan Estimate when they present a loan offer to a consumer. The Loan Estimate was also translated and tested in Spanish.

Who is the target audience?:

The target audience is anyone shopping for a mortgage product who speaks English or Spanish. The mortgage industry was also considered a part of the audience as lenders must use the form when presenting loan offers to their customers.

What is the purpose?:

The Loan Estimate replaces the initial TILA disclosure and the Good Faith Estimate (GFE) provided at application and incorporates new regulations required by the Dodd-Frank Wall Street Reform Act. The content and design are intended to improve consumer understanding of the loan terms, make comparison shopping easier, and allow a more informed choice as consumers make trade-offs about the loan terms and their personal situations.

Feedback from the mortgage loan industry from posting the designs on-line for comment and from meetings with different parts of the industry also informed the development and design of the disclosure.

Consumers receive this Loan Estimate to see their loan terms, projected payments and closing costs in a clear and standard form to more easily compare offers from multiple lending institutions.

Over time, the implementation of the disclosure will become a familiar format to consumers, with the goal of better understanding their mortgage terms, knowing where to locate key information, and providing the details they need to make sound decisions when purchasing mortgage products.

Constraints:

From the beginning, we worked within constraints for content and design. We limited content, for the most part, to loan information and information required by statute. We limited the text on the page, so the key loan information was readily visible on page one. . We also excluded educational material to reduce page count, with the intent to make educational material available through a CFPB website, e.g., www.consumerfinance.gov/learnmore.

Further we worked on a very tight time frame, with the design and testing for the first 5 rounds being completed in less than 10 months. We neutralized many of the design elements to ensure participants focus on content and to minimize burden on industry. For example, we used no color and designed for a letter-sized page instead of legal-sized.

We chose to limit our font selection to MyriadPro, a very readable and widely-used font, with a large x-height and san-serif styling to ease legibility. We also kept the point size as large as possible considering readability and the wide audience.

To ensure key loan information was readily visible, the proposed design included many features to reduce cognitive burden. A summary first page provided key information with more details in the next two pages. Full reversed tabs (white text over black background) help consumers easily see and find the separated sections. Within a section, we arranged information in tables and used shading for headings, to distinguish categories of information. Within a table, we highlighted key phrases to encourage consumers to read them, even if they were skimming.

Testing:

Initially, we conducted five rounds of qualitative consumer testing to develop and refine the Loan Estimate. We used three additional rounds to ensure the Loan Estimate worked well with the Closing Disclosure, a replacement for the HUD_1. Through the iterative qualitative testing, the CFPB was able to adjust the design and language of the form to create a form that consumers could use. The data showed that consumers could comprehend the proposed disclosures and explain a rationale for their choices. The results also determined what areas to refine, such as how to better present and explain Closing Costs. The qualitative testing stopped when the data indicated consumers could successfully compare the information on two disclosures, choose a loan that best suited their needs, use the disclosures to compare initial and final loan terms and costs, and articulate a rationale for their choices. We completed five rounds of qualitative testing on the Spanish translation of the form.

After issuing the proposal, the CFPB completed a Quantitative Study before

issuing the Final Rule. The Quantitative Study focused on validating the effectiveness of the CFPB's integrated disclosures and evaluating their performance compared to the current disclosures.

In a national study of 856 participants, the Loan Estimate and its companion form, the Closing Disclosure, outperformed the current disclosures in 35 of 39 questions with 34 of those questions being statically significantly better. On average, the advantage for the proposed disclosures ranged from 35.2 (for being able to identify the loan amount) to 4.7 percentage points difference (for being able to identify the loan's interest rate).

In the results for the first index, respondents exposed to the current disclosures answered 59.3% of all 39 questions correctly. The corresponding percentage for respondents exposed to the proposed disclosures is 76.2% of all 39 questions answered correctly. The difference (16.9 percentage points) was statistically significant⁹ and persisted when we looked at it separately within subgroups.

Results for the second index showed a virtually identical pattern. Although the difference in performance for respondents with the proposed disclosures compared to the current disclosures was marginally smaller for the second index, it was statistically significant in favor of the proposed disclosures (14.8 percentage points).

Achievements:

The new Loan Estimate is not required to be used until 2015, so our results are inferred, but compelling.

First, data from the Quantitative Study showed that the proposed disclosures outperformed the current disclosures consistently whether we considered task, such as comparison of two loans, or choosing a loan. The result is that consumers who are selecting a loan are better able to see—and avoid—what Senator Elizabeth Warren called the “tricks and traps” of mortgage loans. In a \$1.9 trillion a year industry, that's a win.

Second, the forms were translated and tested to create a Spanish-language version to ensure that this growing population is also served.

Third, industry often opposes the requirement of new or different disclosures, complaining about the costs of reprogramming and so on. But, industry has embraced these new forms. Stung by the accusations that they fueled the housing crisis, they see the new forms as transparent and useful to rebuilding their credibility with consumers. Many lenders have requested permission to use the new Loan Estimate immediately. Even before the rule became final in November 2013, industry entrepreneurs had developed loan calculators and

other apps using the design of the Loan Estimate.

Additionally the three-page Loan Estimate integrates the information from the two current initial disclosures totaling five pages, and three to four additional pages of disclosures. In 2012, 93.7 percent of all home purchases were financed with a mortgage credit transaction. Reducing the required initial documents from eight or nine pages to three translates to be a significant reduction in paperwork burden for individuals and businesses.

Fourth, the CFPB relied upon the testing results as well as industry comments to make policy decisions about information to include and exclude on the loan, about new information to include, such as “In 5 Years”, about the level of detail to use for page 2, about what information should have salience in the design, and about how to phrase often technical language, such as what “assumption” means.

Before

Truth-In-Lending Disclosure Statement

Lender: Maple Bank	Loan No. 123456789	Date: 2/15/2013
Borrowers: John A. and Mary B.	Property Address: 456 Somewhere Avenue, Anytown, ST 12345	
	<input checked="" type="checkbox"/> Preliminary	<input type="checkbox"/> Final

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you assuming the annual percentage rate does not change.	The amount of credit provided to you or on your behalf as of loan closing.	The amount you will have paid after you have made all payments as scheduled assuming the annual percentage rate does not change.
4.274%	\$120,700.87	\$160,129.40	\$355,037.07

You have the right to receive at this time an itemization of the Amount Financed.

I want an itemization.

I do not want an itemization.

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Monthly Payment
Interest Rate	3.875%
Principal and Interest	\$761.78
Est. Taxes + Insurance (Escrow)	\$288.48
• Includes Private Mortgage Insurance	
Total Est. Monthly Payment	\$1,050.26

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.	
You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application.	
<input type="checkbox"/> Demand Feature:	This obligation has a demand feature as follows:
<input type="checkbox"/> Variable Rate Feature:	This loan has a variable-rate feature. Disclosures about the variable-rate feature have been provided to you earlier.
<input type="checkbox"/> Required Deposit:	The annual percentage rate does not take into account your required deposit.
You are giving a security interest in: 456 Somewhere Avenue, Anytown, ST 12345	
Filing/Recording Fees \$ 85.00	Non-filing insurance \$ _____
Late Charge:	If a payment is more than 15 days late, you will be charged 5% of the monthly principal and interest payment.
Assumption:	Someone buying your house:
<input checked="" type="checkbox"/> cannot assume the remainder of the mortgage on the original terms.	<input type="checkbox"/> may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

You may obtain property insurance from anyone you want that is acceptable to the Lender, provided such carrier meets the requirements of the Lender.

If you get the insurance from the Lender, you will pay the cost set forth in a separate insurance statement furnished by the Lender.

Insurance:

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability		I want credit disability insurance. _____ Signature
Credit Life and Disability		I want credit life and disability insurance. _____ Signature

Prepayment: If you pay off your loan early, you
 may will not have to pay a penalty.
 may will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I/We hereby acknowledge reading and receiving a copy of this disclosure.

Borrower: John A.

Date

Borrower: Mary B.

Date



Good Faith Estimate (GFE)

Name of Originator Maple Bank	Borrower John A. and Mary B.
Originator Address 4321 Random Boulevard Somecity, ST 12340	Property Address 456 Somewhere Avenue Anytown, ST 12345
Originator Phone Number 123-456-7890	Date of GFE 2/15/2013
Originator Email joesmith@maplebank.com	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **4/16/2013 5:00PM EDT**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **3/22/2013 5:00PM EDT**.
- After you lock your interest rate, you must go to settlement within **60** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **N/A** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 162,000.00
Your loan term is	30 years
Your initial interest rate is	3.875 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 844.13 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 3,240.00
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **844.13**.

Do we require you to have an escrow account for your loan?

No, you do not have an escrow account. You must pay these charges directly when due.

Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$1,802.00
B	Your Charges for All Other Settlement Services (See page 2.)	\$6,250.84
A + B	Total Estimated Settlement Charges	\$ 8,052.84

Understanding your estimated settlement charges

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$1,397.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ 405.00 for this interest rate of 3.875 %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$405.00

A	Your Adjusted Origination Charges	\$ 1,802.00
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Your Charges for All Other Settlement Services

3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Appraisal Fee</td> <td>405.00</td> </tr> <tr> <td>Credit Report Fee</td> <td>30.00</td> </tr> <tr> <td>Flood Determ./Monitoring</td> <td>52.00</td> </tr> <tr> <td>Tax Status/Monitoring</td> <td>185.00</td> </tr> </tbody> </table>	Service	Charge	Appraisal Fee	405.00	Credit Report Fee	30.00	Flood Determ./Monitoring	52.00	Tax Status/Monitoring	185.00	\$672.00
Service	Charge										
Appraisal Fee	405.00										
Credit Report Fee	30.00										
Flood Determ./Monitoring	52.00										
Tax Status/Monitoring	185.00										
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$2,998.00										
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	\$1,017.00										
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Pest Inspection Fee</td> <td>135.00</td> </tr> <tr> <td>Survey Fee</td> <td>65.00</td> </tr> </tbody> </table>	Service	Charge	Pest Inspection Fee	135.00	Survey Fee	65.00	\$200.00				
Service	Charge										
Pest Inspection Fee	135.00										
Survey Fee	65.00										
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	\$85.00										
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	\$0.00										
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.	\$412.26										
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ 17.44 per day for 15 days (if your settlement is 4/16/2013).	\$261.60										
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>Hazard Insurance</td> <td>604.98</td> </tr> </tbody> </table>	Policy	Charge	Hazard Insurance	604.98	\$604.98						
Policy	Charge										
Hazard Insurance	604.98										

B	Your Charges for All Other Settlement Services	\$ 6,250.84
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A + B	Total Estimated Settlement Charges	\$ 8,052.84
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Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> Your adjusted origination charges <i>(after you lock in your interest rate)</i> Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> Owner's title insurance <i>(if you use companies we identify)</i> Required services that you can shop for <i>(if you use companies we identify)</i> Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for <i>(if you do not use companies we identify)</i> Title services and lender's title insurance <i>(if you do not use companies we identify)</i> Owner's title insurance <i>(if you do not use companies we identify)</i> Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 162,000.00	\$	\$
Your initial interest rate ¹	3.875 %	%	%
Your initial monthly amount owed	\$ 844.13	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$ 8,052.84	\$	\$

¹For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.



After

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA _____
LOAN ID # 123456789
RATE LOCK NO YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>
		In escrow? YES YES

Costs at Closing	
Estimated Closing Costs	\$8,054 Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Estimated Cash to Close	\$16,054 Includes Closing Costs. <i>See Calculating Cash to Close on page 2 for details.</i>

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

Additional Information About This Loan

LENDER Ficus Bank
NMLS/___ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/___ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

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	\$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs. \$15,773 Principal you will have paid off.
Annual Percentage Rate (APR)	4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45% 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 <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> 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 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
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 <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> 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 _____