

**SECTION IV:**  
**OBTAINING A MORTGAGE**

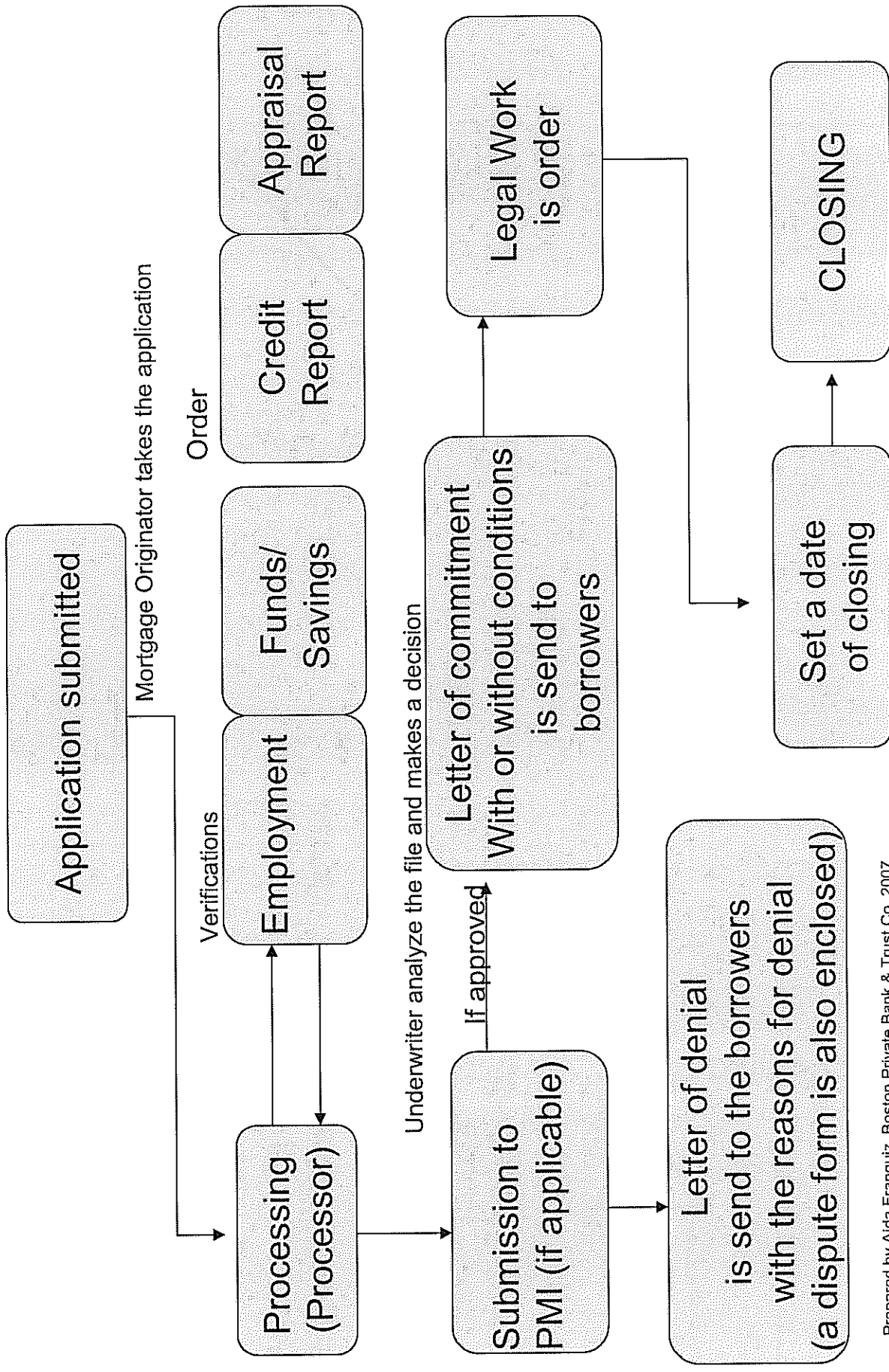
- A. Steps of a Mortgage Application  
(English and Spanish)
- B. Mortgage Application Checklist
- C. Uniform Residential Loan Application
- D. Mortgage Comparison Shopping Chart
- E. Pre-Qualification Worksheets\*
- F. Sample Good Faith Estimate
- G. Sample Truth In Lending Disclosure
- H. Checklist to Identify Predatory Loans
- I. Don't Borrow Trouble Brochure
- J. List of Down Payment Assistance Programs by  
Town

*Supplemental Information*

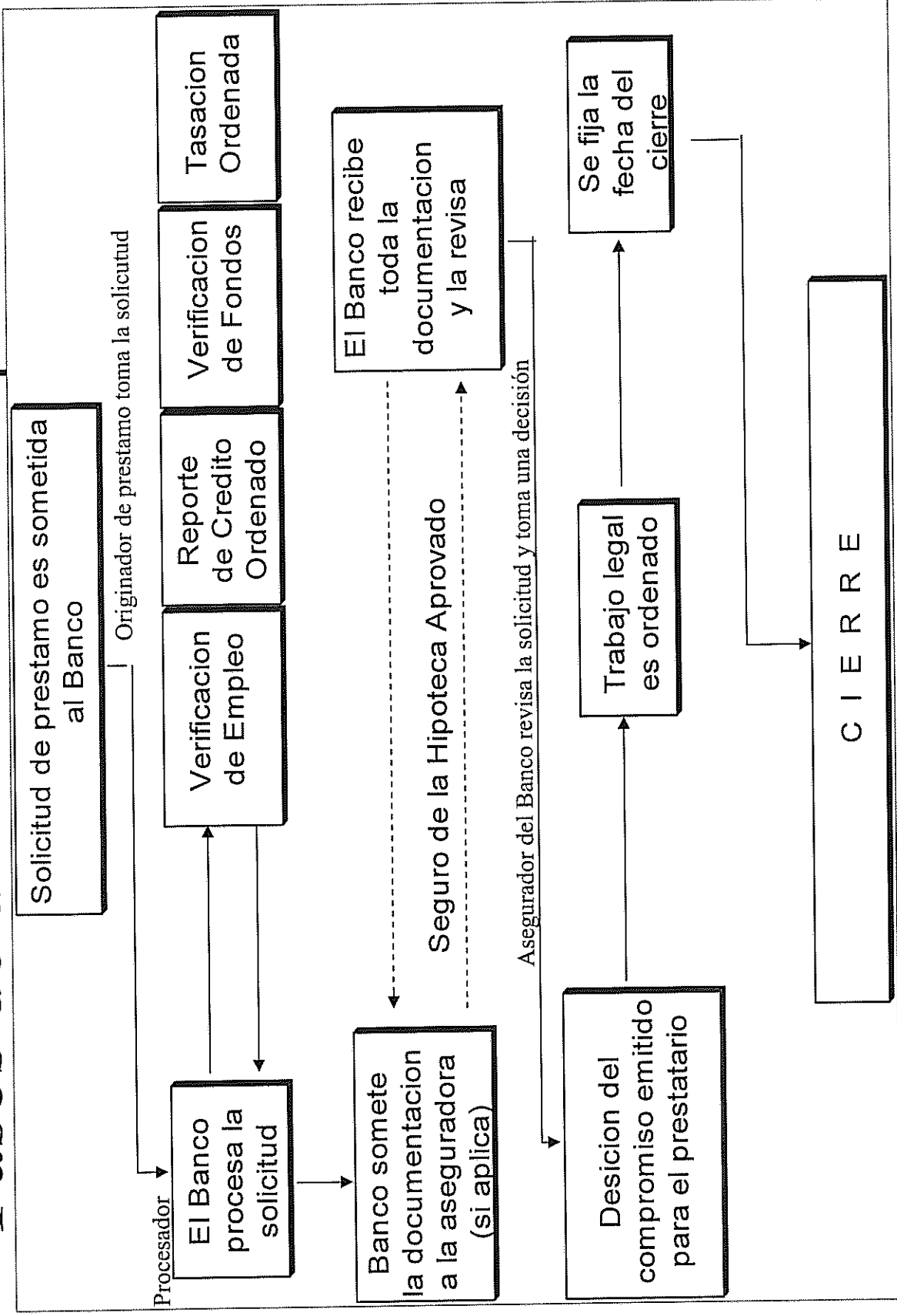
- *Features of Mortgage Products*
- *Checklist of Fixed-Rate and Adjustable-Rate Mortgage Terms*
- *Federal Reserve Bank of Boston's Guide to Mortgage Products and Lending Terms*

\* Can choose to use one of the two worksheets

# Steps of a Mortgage Application



# Pasos de una solicitud de préstamo



## The Mortgage Application Checklist

To expedite the processing of a mortgage application, borrowers should provide the following information:

- Accepted Offer-to-Purchase Real Estate signed by all parties and a Purchase and Sale Agreement signed by all parties. Copies of canceled checks (front and back) used for the downpayment listed on the Purchase and Sale agreement will be required prior to closing.
- Names and addresses of all employers for the previous two years.
- Annual Gross salary (overtime and bonuses listed separately), copies W-2 forms from previous two (2) years, and four (4) most recent pay stubs.
- If self-employed, copies of your signed personal federal income tax returns with all schedules for the previous two years. If employed by your own corporation or partnership, copies of its returns for the previous two years, and a year-to-date profit and loss statement prepared by your accountant (sole proprietorships included).
- If relying on Social Security, Disability or Pension Income, bring a copy of the three (3) most recent stubs or three (3) bank statements if directly deposited, as well as the Award Certificate from the issuing agent.
- Names and addresses of Banks, Credit Unions, and Depositors in which you have deposit accounts. List account numbers and balances in each account. Include copies of the last three monthly statements for each account.
- List of all stocks, bonds, certificates of deposit and other securities, showing current market value. Include copies of last three monthly and/or quarterly statements, account numbers, etc.
- Address, current market value, original loan amount and current balance on any real estate owned, with bank name, address and account number for each mortgage.
- Copies of leases or rental agreements for all rental property.
- Complete list of all outstanding installment debt, including auto loans, student loans, and personal loans. Supply creditor name, address, account number, current balance and monthly payment.
- Complete list of all outstanding credit card debt including account numbers, balances and minimum payments.
- Verification of monthly rental payment. Copies of canceled checks (front and back) from previous twelve (12) months.
- If receiving or obligated to pay alimony, child support and/or separate maintenance, provide a copy of your divorce decree and separation agreement. Also, include canceled checks from previous 12 months to verify the receipt or payment of these funds.
- Copy of front and back of Resident Alien Registration Card, if applicable.
- If purchasing a condo, a complete set of condo documents, including a master deed, budget, by-laws and a project insurance certificate or condominium spot affidavit.

Source: MassHousing's *Step-by-Step Home Buyer's Guide*

# Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when  the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or  the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower	Co-Borrower
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I. TYPE OF MORTGAGE AND TERMS OF LOAN					
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural Housing Service	<input type="checkbox"/> Other (explain):	Agency Case Number	Lender Case Number
Amount \$	Interest Rate %	No. of Months	Amortization Type:	<input type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM	<input type="checkbox"/> Other (explain): <input type="checkbox"/> ARM (type):

## II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP)	No. of Units
Legal Description of Subject Property (attach description if necessary)	Year Built
Purpose of Loan: <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain): <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent	Property will be: <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment

*Complete this line if construction or construction-permanent loan.*

Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$	(b) Cost of Improvements \$	Total (a + b) \$
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*Complete this line if this is a refinance loan.*

Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements	<input type="checkbox"/> made <input type="checkbox"/> to be made
				Cost: \$	

Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)		

## III. BORROWER INFORMATION

Borrower	Co-Borrower		
Borrower's Name (include Jr. or Sr. if applicable)		Co-Borrower's Name (include Jr. or Sr. if applicable)	
Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include <input type="checkbox"/> Separated single, divorced, widowed)	Dependents (not listed by Co-Borrower) no. _____ ages _____		<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include <input type="checkbox"/> Separated single, divorced, widowed)
Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.		Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.	
Mailing Address, if different from Present Address		Mailing Address, if different from Present Address	

*If residing at present address for less than two years, complete the following:*

Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.	Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.
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## IV. EMPLOYMENT INFORMATION

Borrower	Co-Borrower		
Name & Address of Employer <input type="checkbox"/> Self Employed		Name & Address of Employer <input type="checkbox"/> Self Employed	
Yrs. on this job		Yrs. on this job	
Yrs. employed in this line of work/profession		Yrs. employed in this line of work/profession	
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)

*If employed in current position for less than two years or if currently employed in more than one position, complete the following:*

Borrower		IV. EMPLOYMENT INFORMATION (cont'd)		Co-Borrower	
Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from - to)	Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from - to)
		Monthly Income			Monthly Income
		\$			\$
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	
Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from - to)	Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from - to)
		Monthly Income			Monthly Income
		\$			\$
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION						
Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Total</b>	<b>\$</b>	<b>\$</b>

\* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income		Notice: Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.	Monthly Amount
B/C			\$

**VI. ASSETS AND LIABILITIES**

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed  Jointly  Not Jointly

ASSETS		Cash or Market Value	LIABILITIES		
Description		\$	Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Cash deposit toward purchase held by:		\$			
List checking and savings accounts below			Name and address of Company	Monthly Payment & Months Left to Pay	Unpaid Balance
Name and address of Bank, S&L, or Credit Union				\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
Acct. no.	\$		Acct. no.		

**VI. ASSETS AND LIABILITIES (cont'd)**

Name and address of Bank, S&L, or Credit Union		Name and address of Company		\$ Payment/Months	\$
Acct. no.	\$	Acct. no.			
Stocks & Bonds (Company name/ number & description)		Name and address of Company		\$ Payment/Months	\$
		Acct. no.			
Life insurance net cash value		Name and address of Company		\$ Payment/Months	\$
Face amount: \$					
<b>Subtotal Liquid Assets</b>					
Real estate owned (enter market value from schedule of real estate owned)					
Vested interest in retirement fund					
Net worth of business(es) owned (attach financial statement)		Acct. no.			
Automobiles owned (make and year)		Alimony/Child Support/Separate Maintenance Payments Owed to:		\$	
Other Assets (itemize)		Job-Related Expense (child care, union dues, etc.)		\$	
		<b>Total Monthly Payments</b>		\$	
<b>Total Assets a.</b>	\$	<b>Net Worth (a minus b)</b>	\$	<b>Total Liabilities b.</b>	\$

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
		\$	\$	\$	\$	\$	\$
	<b>Totals</b>	\$	\$	\$	\$	\$	\$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

**VII. DETAILS OF TRANSACTION**

**VIII. DECLARATIONS**

	\$	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower		Co-Borrower	
			Yes	No	Yes	No
a. Purchase price			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Alterations, improvements, repairs		a. Are there any outstanding judgments against you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Land (if acquired separately)		b. Have you been declared bankrupt within the past 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Refinance (incl. debts to be paid off)		c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Estimated prepaid items		d. Are you a party to a lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Estimated closing costs		e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. PMI, MIP, Funding Fee		(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)				
h. Discount (if Borrower will pay)						
i. Total costs (add items a through h)						

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS					
j. Subordinate financing		If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.		Borrower		Co-Borrower	
				Yes	No	Yes	No
k. Borrower's closing costs paid by Seller		f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Other Credits (explain)		g. Are you obligated to pay alimony, child support, or separate maintenance?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		h. Is any part of the down payment borrowed?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Loan amount (exclude PMI, MIP, Funding Fee financed)		i. Are you a co-maker or endorser on a note?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		j. Are you a U.S. citizen?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. PMI, MIP, Funding Fee financed		k. Are you a permanent resident alien?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		l. Do you intend to occupy the property as your primary residence? If "Yes," complete question m below.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o. Loan amount (add m & n)		m. Have you had an ownership interest in a property in the last three years?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
p. Cash from/to Borrower (subtract j, k, l & o from i)		(1) What type of property did you own—principal residence (PR), second home (SH), or investment property (IP)?		_____	_____	_____	_____
		(2) How did you hold title to the home—solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?		_____	_____	_____	_____

**IX. ACKNOWLEDGEMENT AND AGREEMENT**

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

**Acknowledgement.** Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

Borrower's Signature <b>X</b>	Date	Co-Borrower's Signature <b>X</b>	Date
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**X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES**

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

<b>BORROWER</b> <input type="checkbox"/> I do not wish to furnish this information		<b>CO-BORROWER</b> <input type="checkbox"/> I do not wish to furnish this information	
Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino		Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	
Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> White		Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> White	
Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male		Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male	
<b>To be Completed by Interviewer</b> This application was taken by: <input type="checkbox"/> Face-to-face interview <input type="checkbox"/> Mail <input type="checkbox"/> Telephone <input type="checkbox"/> Internet		Interviewer's Name (print or type) _____ Interviewer's Signature _____ Date _____ Interviewer's Phone Number (incl. area code) _____	Name and Address of Interviewer's Employer _____ _____ _____



**CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION**

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark **B** for Borrower or **C** for Co-Borrower.

Borrower:

Agency Case Number:

Co-Borrower:

Lender Case Number:

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature <b>X</b>	Date	Co-Borrower's Signature <b>X</b>	Date
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## FIXED-RATE MORTGAGE COMPARISON SHOPPING CHART

	LENDER 1	LENDER 2	LENDER 3
1. Company name/phone number: Loan officer name?			
2. Mortgage type:			
3. Interest rate and points: Interest rate quoted on ___/___/___ is? <small>(day) (month) (year)</small> How many points quoted? Annual percentage rate?			
4. Interest rate lock-in: Upon application? At approval? Lock-in costs? Effective how long? Lower lock-in if rates drop?			
5. Minimum down payment required: Without mortgage insurance With mortgage insurance If mortgage insurance is required: Upfront costs? Monthly premiums? Can it be financed?			
6. Prepayment of principal: Is there a penalty? Duration of penalty? Extra principal payments allowed?			
7. Loan processing time: How many days estimated from: Application to approval? Approval to closing?			
8. Closing costs: Application/origination fee Credit report fee Lender's attorney fee Document preparation fee Transfer taxes Appraisal fee Survey fee Title search/title insurance Any other closing costs quoted?			

### ADJUSTABLE - RATE MORTGAGE COMPARISON SHOPPING CHART

	LENDER 1	LENDER 2	LENDER 3
<b>1. Financial index and margin:</b> Treasury, Cost of Funds, Certificate of Deposit, or other? What is the margin over the index used by the lender to calculate the fully indexed rate?			
<b>2. Initial interest rate:</b>			
<b>3. Adjustment interval:</b> What is the interest adjustment interval (six months, one year, three years, etc.)?			
<b>4. Rate caps:</b> Lifetime interest cap? Periodic interest cap?			
<b>5. Payment caps:</b>			
<b>6. Conversion to fixed-rate loan:</b> When can the loan convert? How is the new converted rate determined? Are there any conditions under which a conversion option will not be offered to me? Is there a conversion fee?			

# Worksheet: Prequalifying

**Your Gross Monthly Income**

Your weekly pay \$ \_\_\_\_\_ × 52 ÷ 12 \$ \_\_\_\_\_  
*(before deductions)*

or

Your twice-a-month pay \$ \_\_\_\_\_ × 2 \$ \_\_\_\_\_  
*(before deductions)*

Your spouse's weekly pay \$ \_\_\_\_\_ × 52 ÷ 12 \$ \_\_\_\_\_  
*(before deductions)*

or

Your spouse's twice-a-month pay \$ \_\_\_\_\_ × 2 \$ \_\_\_\_\_  
*(before deductions)*

Your Monthly Gross Pay \$ \_\_\_\_\_  
*(Your pay + your spouse's pay)*

Other gross monthly income \$ \_\_\_\_\_

**Total Gross Monthly Income** \$ \_\_\_\_\_  
*(Monthly Gross Pay + Other Gross Monthly Income)*

**Ratios and Debt**

Total Gross Monthly Income × \_\_\_\_\_ % *(housing ratio)* \$ \_\_\_\_\_ (2)

Total Gross Monthly Income × \_\_\_\_\_ % *(debt-to-income ratio)* \$ \_\_\_\_\_ (3)

Total Monthly Debt Payment \$ \_\_\_\_\_ (4)  
*(any installment debts with 10+ months remaining)*

Subtract Line (4) from Line (3) \$ \_\_\_\_\_ (5)

**Maximum Mortgage Loan Payment Allowed**

Enter whichever is less, Line (2) or Line (5) \$ \_\_\_\_\_ (6)

Multiply Line (6) by 20%\* \$ \_\_\_\_\_ (7)  
*(estimated taxes and insurance)*

Subtract Line (7) from Line (6) \$ \_\_\_\_\_ (8)  
*(maximum principal and interest payment allowed)*

Divide Line (8) by factor from sample factor table \$ \_\_\_\_\_ (9)

**Maximum Mortgage Loan Amount**

Multiply Line (9) by \$1,000 \$ \_\_\_\_\_

\*% may be greater if mortgage insurance and/or homeowner's association dues are required.



## Affordability Worksheet

Gross Monthly Income \$ \_\_\_\_\_ (1)

Gross Monthly Income x 40% \$ \_\_\_\_\_ (2)

Total Monthly Debt Payments \$ \_\_\_\_\_ (3)

Subtract Line (3 from line (2) \$ \_\_\_\_\_ (4)

**Maximum Monthly Mortgage Payment Allowed** \$ \_\_\_\_\_ (5)

Enter amount from Line (4)

Escrows (Taxes & Insurance) \$ \_\_\_\_\_ (6)

If unknown, estimate at 20% of line (5)

Subtract line (6) from line (5) \$ \_\_\_\_\_ (7)

### Affordability

Divide line (7) by \_\_\_\_\_ \$ \_\_\_\_\_ (8)

Multiply line (8) by \$1,000. \$ \_\_\_\_\_ (9)  
= potential mortgage amount



# Good Faith Estimate (GFE)

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	
Originator Email	Date of GFE

## 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](http://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 [redacted]. 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 [redacted].
- After you lock your interest rate, you must go to settlement within [redacted] days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least [redacted] days before settlement.

## Summary of your loan

Your initial loan amount is	\$
Your loan term is	_____ years
Your initial interest rate is	_____ %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ _____ per month
Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of _____ %. The first change will be in _____
Even if you make payments on time, can your loan balance rise?	<input 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 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 type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____
Does your loan have a balloon payment?	<input 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 \$ [redacted].

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

<b>A</b>	Your Adjusted Origination Charges (See page 2)	\$
<b>B</b>	Your Charges for All Other Settlement Services (See page 2)	\$
<b>A + B</b>	<b>Total Estimated Settlement Charges</b>	\$

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								
<p>1. Our origination charge This charge is for getting this loan for you.</p>								
<p>2. Your credit or charge (points) for the specific interest rate chosen</p> <p><input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1, above.)</p> <p><input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit <b>reduces</b> your settlement charges.</p> <p><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) <b>increases</b> your total settlement charges.</p> <p>The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.</p>								
<b>A</b>	Your Adjusted Origination Charges	\$						
Your Charges for All Other Settlement Services								
<p>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.</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>		Service	Charge					
Service	Charge							
<p>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.</p>								
<p>5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.</p>								
<p>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.</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>		Service	Charge					
Service	Charge							
<p>7. Government recording charges These charges are for state and local fees to record your loan and title documents.</p>								
<p>8. Transfer taxes These charges are for state and local fees on mortgages and home sales.</p>								
<p>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 type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other <input type="text"/>.</p>								
<p>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 \$ <input type="text"/> per day for <input type="text"/> days (if your settlement is <input type="text"/>).</p>								
<p>11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire.</p> <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>		Policy	Charge					
Policy	Charge							
<b>B</b>	Your Charges for All Other Settlement Services	\$						
<b>A + B</b>	<b>Total Estimated Settlement Charges</b>	\$						



# 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"> <li>■ Our origination charge</li> <li>■ Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate)</li> <li>■ Your adjusted origination charges (after you lock in your interest rate)</li> <li>■ Transfer taxes</li> </ul>	<ul style="list-style-type: none"> <li>■ Required services that we select</li> <li>■ Title services and lender's title insurance (if we select them or you use companies we identify)</li> <li>■ Owner's title insurance (if you use companies we identify)</li> <li>■ Required services that you can shop for (if you use companies we identify)</li> <li>■ Government recording charges</li> </ul>	<ul style="list-style-type: none"> <li>■ Required services that you can shop for (if you do not use companies we identify)</li> <li>■ Title services and lender's title insurance (if you do not use companies we identify)</li> <li>■ Owner's title insurance (if you do not use companies we identify)</li> <li>■ Initial deposit for your escrow account</li> <li>■ Daily interest charges</li> <li>■ Homeowner's insurance</li> </ul>

## 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	\$	\$	\$
Your initial interest rate <sup>1</sup>	%	%	%
Your initial monthly amount owed	\$	\$	\$
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	\$	\$	\$

<sup>1</sup> For 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?				
<b>Total Estimated Settlement Charges</b>				

## 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.





# TRUTH IN LENDING DISCLOSURE STATEMENT

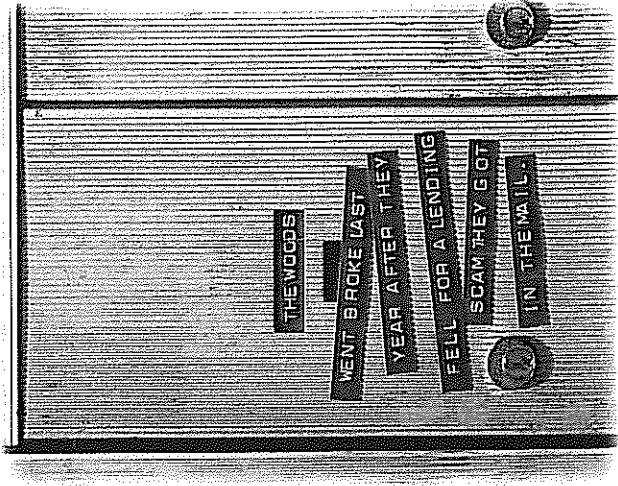
Creditor	Applicant(s)												
Mailing Address	Property Address												
Loan Number	Preparation Date												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; padding: 5px; text-align: center;"><b>ANNUAL PERCENTAGE RATE</b></td> <td style="width: 25%; padding: 5px; text-align: center;"><b>FINANCE CHARGE</b></td> <td style="width: 25%; padding: 5px; text-align: center;"><b>Amount Financed</b></td> <td style="width: 25%; padding: 5px; text-align: center;"><b>Total of Payments</b></td> </tr> <tr> <td style="padding: 5px; font-size: small;">The cost of your credit as a yearly rate.</td> <td style="padding: 5px; font-size: small;">The dollar amount the credit will cost you.</td> <td style="padding: 5px; font-size: small;">The amount of credit provided to you or on your behalf.</td> <td style="padding: 5px; font-size: small;">The amount you will have paid after you have made all payments as scheduled.</td> </tr> <tr> <td style="padding: 5px;">E %</td> <td style="padding: 5px;">ES</td> <td style="padding: 5px;">ES</td> <td style="padding: 5px;">ES</td> </tr> </table>	<b>ANNUAL PERCENTAGE RATE</b>	<b>FINANCE CHARGE</b>	<b>Amount Financed</b>	<b>Total of Payments</b>	The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.	E %	ES	ES	ES	
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E %	ES	ES	ES										
<b>PAYMENT SCHEDULE:</b>													
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 16.6%;">NUMBER OF PAYMENTS</th> <th style="width: 16.6%;">* AMOUNT OF PAYMENTS</th> <th style="width: 16.6%;">MONTHLY PAYMENTS ARE DUE BEGINNING</th> <th style="width: 16.6%;">NUMBER OF PAYMENTS</th> <th style="width: 16.6%;">* AMOUNT OF PAYMENTS</th> <th style="width: 16.6%;">MONTHLY PAYMENTS ARE DUE BEGINNING</th> </tr> </thead> <tbody> <tr> <td style="height: 150px;"> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	NUMBER OF PAYMENTS	* AMOUNT OF PAYMENTS	MONTHLY PAYMENTS ARE DUE BEGINNING	NUMBER OF PAYMENTS	* AMOUNT OF PAYMENTS	MONTHLY PAYMENTS ARE DUE BEGINNING							
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<p>* Includes mortgage insurance premiums, excludes taxes, hazard insurance or flood insurance.</p> <p><b>DEMAND FEATURE:</b> <input type="checkbox"/> This loan does not have a Demand Feature      <input type="checkbox"/> This loan has a Demand Feature.</p> <p><b>ITEMIZATION:</b> You have a right at this time to an ITEMIZATION OF AMOUNT FINANCED. I/We <input type="checkbox"/> do <input type="checkbox"/> do not want an itemization.</p> <p><b>REQUIRED DEPOSIT:</b> <input type="checkbox"/> The annual percentage rate does not take into account your required deposit.</p> <p><b>VARIABLE RATE FEATURE:</b> <input type="checkbox"/> This Loan has a Variable Rate Feature. Variable Rate Disclosures have been provided to you earlier.</p> <p><b>SECURITY:</b> You are giving a security interest in:</p> <p><b>ASSUMPTION:</b> Someone buying this property <input type="checkbox"/> cannot assume the remaining balance due under original mortgage terms. <input type="checkbox"/> may assume, subject to lender's conditions, the remaining balance due under original mortgage terms.</p> <p><b>FILING / RECORDING FEES:</b> \$</p> <p><b>PROPERTY INSURANCE:</b> <input type="checkbox"/> Property / hazard insurance is a required condition of this loan. Borrower may purchase this insurance from any insurance company acceptable to the lender. Hazard insurance <input type="checkbox"/> is <input type="checkbox"/> is not available through the lender at an estimated cost of _____ for a _____ month term.</p> <p><b>LATE CHARGES:</b> If your payment is more than _____ days late, you will be charged a late charge of _____ % of the overdue payment.</p> <p><b>PREPAYMENT:</b> If you prepay this loan in full or in part, you <input type="checkbox"/> may <input type="checkbox"/> will not have to pay a penalty. <input type="checkbox"/> may <input type="checkbox"/> will not be entitled to a refund of part of the finance charge.</p> <p>See your contract documents for any additional information regarding non-payment, default, required repayment in full before scheduled date, and payment refunds and penalties. E means estimate.</p> <p>I/We hereby acknowledge reading and receiving a complete copy of this disclosure. I/We understand there is no commitment for the creditor to make this loan and there is no obligation for me/us to accept this loan upon delivery or signing of this disclosure.</p>													
<div style="border-bottom: 1px solid black; width: 40%; margin-left: auto; margin-right: auto;">Date</div>	<div style="border-bottom: 1px solid black; width: 40%; margin-left: auto; margin-right: auto;">Date</div>												
<div style="border-bottom: 1px solid black; width: 40%; margin-left: auto; margin-right: auto;">Date</div>	<div style="border-bottom: 1px solid black; width: 40%; margin-left: auto; margin-right: auto;">Date</div>												

## CHECKLIST: IDENTIFYING A PREDATORY MORTGAGE LOAN

#	Indicator	Check if included
<b>Marketing &amp; Sales</b>		
1	Aggressive telephone or mail solicitations to targeted neighborhoods	
2	Door-to-door solicitation by home improvement contractor	
3	Kickbacks to mortgage brokers	
4	Steering to high rate lenders	
5	Promising specific terms, e.g., a fixed rate loan; switching at closing	
6	Property flipping	
<b>The Application</b>		
7	Structuring loans with payments borrowers can't afford	
8	Falsifying loan applications (particularly regarding income level)	
9	Adding "insincere" co-signers	
10	Making loans to mentally incapacitated homeowners	
11	Forging signatures on loan documents (i.e., required disclosures)	
12	Paying off lower-income mortgages	
13	Shifting unsecured debt into mortgages	
14	Loans in excess of 100% LTV	
15	Falsifying appraisals	
<b>The Loan</b>		
16	High annual percentage rate	
17	High points or padded closing costs	
18	Balloon payments	
19	Negative amortization	
20	Bogus broker fees	
21	Requiring credit insurance	
22	Falsely identifying loans as lines of credit or open-end mortgages	
23	Mandatory arbitration clauses	
24	Excessive prepayment penalties	
25	Rushed loan closing	
26	Back-dating documents, esp. the notice of right to cancel	
27	Failing to give copies of documents to homeowner at closing	
<b>After Closing</b>		
28	Loan flipping (repeated refinancing, often after high-pressure sales)	
29	Excessive late fees (including daily interest)	
30	Deliberately posting payments late	
31	Abusive collection practices	
32	Incomplete or shoddy work by home improvement contractor	
33	Shoddy installation of mobile home/damaged mobile home	
34	Failure to pay off debts as promised	
35	Foreclosure "rescue" scams	

## Don't put yourself deeper in debt.

These same lenders will tell you that lower monthly payments can save you money. What they don't tell you is that they're combining all your debt into a longer-term loan. So you end up paying out more money over a longer period of time.

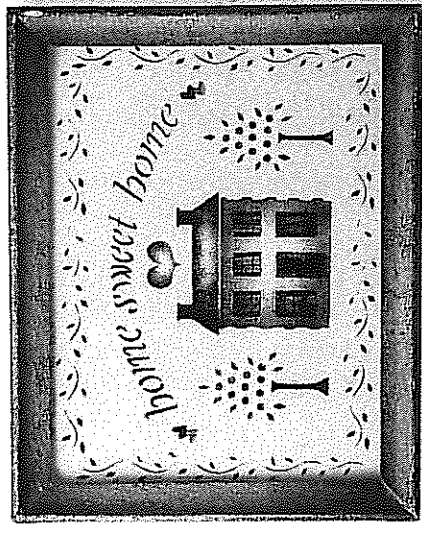


## Don't put your home at risk.

Many people don't realize that these loans are mortgages which use their house as collateral. If you can't pay, the lender can take your house from you as payment. That's one reason why the number of people losing their homes to foreclosures in the U.S. has grown 200% since 1980. Don't let this happen to you.

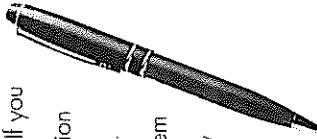
Watch out for  
lending scams.

Or you could  
lose your



## Be careful what you sign.

Have you received a pre-approved home loan in the mail? Have you seen TV ads for loans that will lower your bills? If you think these schemes will get collection agencies off your back, be careful. There are companies who may seem like they want to help you, but they may only make things worse.

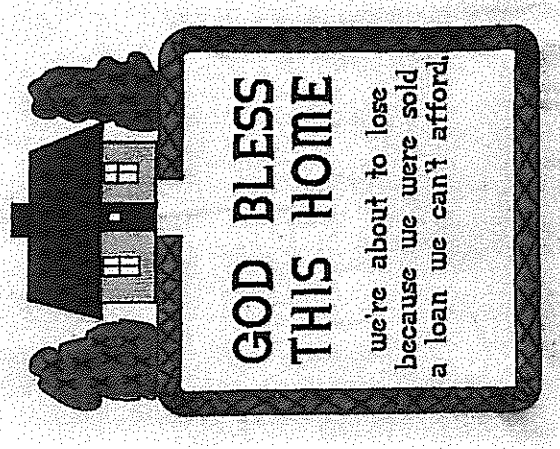


## Scam lenders are out to trick you.

In their ads, some lenders may promise low rates as bait to get you to sign on. Then at closing, or maybe six months later, they might switch you to a higher rate without telling you. They may also hide extra costs in the wording of their loans. Costs you may not be aware of, and may not be able to pay back.

## Let us show you your options.

There are other ways to get out of debt. We can put you in touch with people who will tell you about the different choices you have and who will explain all your options. Options that won't put everything you've worked for at risk.



## Our help is free.

If you have questions about what you're signing, call us for advice. We can warn you about possible lending scams and help figure out if the terms of your loan are unfair. We'll also help you understand the options open to you and direct you to other sources of information and assistance.



Call 1-800-495-2265 for more details.

1-800-495-2265 is your one-stop source for home lending information and referrals. Do you have questions about refinancing or foreclosure prevention? We can refer you to agencies in your area that can help. Call 1-800-495-2265 to learn about all your options. **DON'T BORROW TROUBLE.**



ADDI HOME Buyer Assistance Programs			6/5/2006
Town	Organization	Contact	Phone #
Abington	NHS South Shore	Janice Tucker	(617) 770-2227x21
Acton	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Acushnet	South Shore Housing	Tom Pacheco	(781) 422-4251
Agawam	HAP, Inc.	Marta Santiago	(413) 233-1615
Amherst	HAP, Inc.	Marta Santiago	(413) 233-1615
Andover	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
Ashburham	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Ashby	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Ashland	South Middlesex Opportunity Council	Ozzy Diagne	(508) 620-2630
Athol	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Ayer	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Berchertown	HAP, Inc.	Marta Santiago	(413) 233-1615
Berkley	ProHome	Mary Ellen Rochette	(508) 821-1092
Billerica	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
Billerica	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7377
Braintree	NHS South Shore	Janice Tucker	(617) 770-2227x22
Bridgewater	NHS South Shore	Janice Tucker	(617) 770-2227x22
Brimfield	HAP, Inc.	Marta Santiago	(413) 233-1615
Brockton	NHS South Shore	Janice Tucker	(617) 770-2227x22
Burlington	Community Service Network	Sheila Herbek	(781) 438-5981
Canton	QCAP	Rona Goodman	(617) 479-8181x 115
Carver	South Shore Housing	Tom Pacheco	(781) 422-4251
Chelmsford	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
Chicopee	HAP, Inc.	Marta Santiago	(413) 233-1615
Darhmouth	South Shore Housing	Tom Pacheco	(781) 422-4251
Dedham	QCAP	Rona Goodman	(617) 479-8181x 115
Dighton	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Dracut	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
E. Bridgewater	NHS South Shore	Janice Tucker	(617) 770-2227x22
E. Longmeadow	HAP, Inc.	Marta Santiago	(413) 233-1615
Easthampton	HAP, Inc.	Marta Santiago	(413) 233-1615
Easton	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Fairhaven	South Shore Housing	Tom Pacheco	(781) 422-4251
Fitchburg	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Foxborough	QCAP	Rona Goodman	(617) 479-8181x 115
Franklin	QCAP	Rona Goodman	(617) 479-8181x 115
Franklin County	Greenfield Housing Associates	Kathy Kroll	(413) 774-2932 x 2
Gardner	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Granby	HAP, Inc.	Marta Santiago	(413) 233-1615
Granville	HAP, Inc.	Marta Santiago	(413) 233-1615
Greenfield	Greenfield Housing Associates	Kathy Kroll	(413) 774-2932 x 2
Groton	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Halifax	South Shore Housing	Tom Pacheco	(781) 422-4251
Hampden County	HAP, Inc.	Marta Santiago	(413) 233-1615
Hanover	QCAP	Rona Goodman	(617) 479-8181x 115
Hanson	South Shore Housing	Tom Pacheco	(781) 422-4251
Hingham	QCAP	Rona Goodman	(617) 479-8181x 115
Holbrook	QCAP	Rona Goodman	(617) 479-8181x 115
Holden	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Holyoke	HAP, Inc.	Marta Santiago	(413) 233-1615
Hopkinton	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7375
Hubbardston	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Hull	NHS South Shore	Janice Tucker	(617) 770-2227x21
Huntington	HAP, Inc.	Marta Santiago	(413) 233-1615
Kingston	South Shore Housing	Tom Pacheco	(781) 422-4251
Lakeville	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Leomister	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376

ADDI HOME Buyer Assistance Programs			6/5/2006
Town	Organization	Contact	Phone #
Lexington	Community Service Network	Sheila Herbek	(781) 438-5981
Lunenburg	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Mansfield	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Mansfield	South Shore Housing	Tom Pacheco	(781) 422-4251
Marlboro	South Middlesex Opportunity Council	Ozzy Diagne	(508) 620-2630
Marshfield	QCAP	Rona Goodman	(617) 479-8181x 115
Melrose	Community Service Network	Sheila Herbek	(781) 438-5981
Middleboro	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Middleboro	South Shore Housing	Tom Pacheco	(781) 422-4251
Milton	QCAP	Rona Goodman	(617) 479-8181x 115
Monson	HAP, Inc.	Marta Santiago	(413) 233-1615
North Attleboro	Pro-Home	Mary Ellen Rochette	(508) 821-1092
North Reading	Community Service Network	Sheila Herbek	(781) 438-5981
Northampton	HAP, Inc.	Marta Santiago	(413) 233-1615
Norton	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Norwell	QCAP	Rona Goodman	(617) 479-8181x 115
Norwood	NHS South Shore	Janice Tucker	(617) 770-2227x22
Pelham	HAP, Inc.	Marta Santiago	(413) 233-1615
Petersham	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Phillipston	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Plainfield	HAP, Inc.	Marta Santiago	(413) 233-1615
Plymouth	Plymouth RDA	Patricia Fasanello	(508) 747-1620 x188
Plympton	South Shore Housing	Tom Pacheco	(781) 422-4251
Randolph	QCAP	Rona Goodman	(617) 479-8181x 115
Raynham	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Reading	Community Service Network	Sheila Herbek	(781) 438-5981
Rochester	South Shore Housing	Tom Pacheco	(781) 422-4251
Rockland	NHS South Shore	Janice Tucker	(617) 770-2227x22
Royalston	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Scituate	QCAP	Rona Goodman	(617) 479-8181x 115
Seekonk	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Shirley	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
South Hadley	HAP, Inc.	Marta Santiago	(413) 233-1615
Springfield	HAP, Inc.	Marta Santiago	(413) 233-1615
Stoneham	Community Service Network	Sheila Herbek	(781) 438-5981
Stoughton	QCAP	Rona Goodman	(617) 479-8181x 115
Taunton	Pro-Home	Mary Ellen Rochette	(508) 821-1092
Templeton	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Tewksbury	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
Townsend	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Tyngsboro	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
W. Springfield	HAP, Inc.	Marta Santiago	(413) 233-1615
Wakefield	Community Service Network	Sheila Herbek	(781) 438-5981
Wareham	South Shore Housing	Tom Pacheco	(781) 422-4251
West Bridgewater	QCAP	Rona Goodman	(617) 479-8181x 115
Westfield	HAP, Inc.	Marta Santiago	(413) 233-1615
Westford	Merrimack Valley Housing Partnership	Jim Wilde	(978) 459-8490
Westminster	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Westport	South Shore Housing	Tom Pacheco	(781) 422-4251
Westwood	NHS South Shore	Janice Tucker	(617) 770-2227x22
Weymouth	NHS South Shore	Janice Tucker	(617) 770-2227x22
Weymouth	QCAP	Rona Goodman	(617) 479-8181x 115
Wilmington	Community Service Network	Sheila Herbek	(781) 438-5981
Winchendon	Montachusett Enterprise Center, Inc.	Shelly Hatch	(978) 345-7376
Woburn	Community Service Network	Sheila Herbek	(781) 438-5981

## HOME Entitlement and Consortia Communities and Contact Agencies

### Entitlement Communities

Boston	Department of Neighborhood Development	617-635-0257
Brockton	Brockton Redevelopment Authority	508-587-6085
Cambridge	Community Development Department	617-349-4600
Fall River	Community Development Agency	508-679-0131
Lawrence	Planning and Community Development Dept.	978-794-5891
Lowell	Division of Planning and Development	978-970-4252
Lynn	Community Development Department	781-477-2800
New Bedford	Office of Community Development	508-979-1581
Somerville	Office of Housing and Community Development	617-625-6600 x 2500
Springfield	Community Development Department	413-787-6050
Worcester	Planning and Community Development Dept.	508-799-1400

### Consortia Communities

#### Barnstable County Consortium

Cape Cod Commission 508-362-3828, Paul Ruchinskas

Barnstable	Bourne	Brewster	Chatham
Dennis	Eastham	Falmouth	Harwich
Mashpee	Orleans	Provincetown	Sandwich
Truro	Wellfleet	Yarmouth	

#### Fitchburg-Leominster Consortium

Fitchburg Office of Planning Coordinator 978-345-1018

#### Holyoke-Chicopee-Westfield Consortium

Holyoke Office for Community Development 413-322-5610, Linda McQuade

#### North Suburban Consortium

Malden Redevelopment Authority 781-324-5720, Peter Garbati

Arlington	Chelsea	Everett	Malden
Medford	Melrose	Revere	Winthrop

#### Metrowest Consortium

Newton Department of Planning and Development 617-796-1140, Steve Gartrell

Bedford	Belmont	Brookline	Framingham	Lexington	Lincoln
Natick	Needham	Newton	Sudbury	Waltham	Watertown

#### North Shore Consortium

Peabody Office of Community Development 978-538-5774, Kevin Hurley

Andover	Amesbury	Beverly	Boxford	Danvers	Essex
Georgetown	Gloucester	Hamilton	Haverhill	Ipswich	Lynnfield
Manchester	Marblehead	Merrimac	Methuen	Middleton	Newburyport
North Andover	Reading	Peabody	Rockport	Rowley	Salem
Salisbury	Swampscott	Wenham	West Newbury	Wilmington	

#### Quincy - Weymouth Consortium

Quincy Department of Planning and Community Development 617-376-1360, Nancy Callanan

#### Taunton Consortium

Mayor's Office of Community Development 508-821-1030, Kevin J. Shea

Attleboro	Berkley	Dighton	Easton	Lakeville	Mansfield
Middleboro	N. Attleboro	Norton	Plainville	Raynham	Seekonk
Taunton					

**SECTION IV:**  
**OBTAINING A MORTGAGE**

Supplemental Information





## **First Time Homebuyers - Features of Mortgage Products:**

### **Questions that you should ask and answer before deciding on a mortgage product and when shopping for a mortgage product or pre-approval:**

- 1) Is there a down payment expected? If so, what are the acceptable sources of down payment money and closing cost money?
- 2) What is the APR: What is the Note rate: – How many years amortization is the payment based on? Will you pay points? Is the rate Variable or Fixed – if fixed, is it fixed for the life of loan or some other period of time? How long is the quoted rate/APR good for?
- 3) Is there an application fee, underwriting fee or similar fee? Are fees credited toward closing costs, appraisal or other costs?
- 4) Are you expected to pay PMI? If not, is the loan split into two loans to avoid PMI? What is the rate on the second loan and see #2 questions above
- 5) Are there pre payment penalties? Are there any features in the loan agreement that will increase the rate other than nominal late charges? Are there any "balloon payments? Does the loan amortize on a regular schedule based on the term (years) of the loan?
- 6) Is the person you are working with a bank lender, a mortgage broker or a mortgage company? If you are working with a mortgage broker, are you paying them a fee or are they receiving a portion of the interest that you're paying?
- 7) How is rental income calculated? Is it added to income or deducted from proposed mortgage payment?
- 8) What ratios are used in determining affordability?: Is there an income test other than ratios?  
Debt ratio = upper ratio & Housing ratio = lower ratio 28/36? 33/38? 40% or more?
- 9) Do you trust the person you are working with?

## CHECKLIST OF FIXED-RATE MORTGAGE SHOPPING TERMS

*Note:* Each item in this checklist is numerically coded to the Mortgage Comparison Shopping Chart on the previous page. So if you don't understand an item on the chart, this list of terms will help you when asking questions of various mortgage lenders.

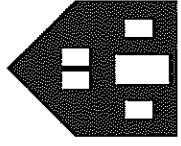
- 1. Company Name/Phone Number:** Write down the name of the loan officer with whom you speak, so you can get back in touch if you decide to apply for a loan at that financial institution.
- 2. Mortgage Type:** Your task will be simpler if you've narrowed your search to the type of mortgage loan you prefer. When comparing mortgages among lenders, compare the same loan among the lenders you call—in other words, a 30-year fixed rate to a 30-year fixed rate, a one-year Treasury ARM to a one-year Treasury ARM, etc.
- 3. Interest Rate and Points:** Interest rates change often, even daily. Make sure you record the date of your rate quote. Try to call all lenders on the same day, so you have an accurate comparison. Another way to evaluate rates is by examining the Annual Percentage Rate (APR). It indicates the "effective rate of interest paid" per year. The figure includes points and other closing costs and spreads them over the life of the loan. While the APR provides you with a common point for comparison, it's important to look at the whole product before deciding which mortgage to get. For a fuller discussion of points, see pages 15–16.
- 4. Interest Rate Lock-In:** When a lender agrees to hold the quoted rate for you, this is called a "lock-in." Ask when can the rate be locked in, at the time of application or only upon approval? Will the lender lock in both the interest rate and points? Can you get a written lock-in agreement? How long does the lock-in remain in effect? Is there a charge for locking in a rate? If the rate drops before closing, must you close at your locked-in rate or can you get the lower rate?
- 5. Minimum Down Payment Required:** Ask the loan officer what the lowest allowable down payment is – with and without private mortgage insurance. If Private Mortgage Insurance (MI) is required, ask how much it will cost. Find out how much is due upfront at closing and the amount included as monthly premiums. Ask if you can finance the closing cost of mortgage insurance. Also ask how long MI will be required. In some cases, you may be able to cancel the MI when your loan balance drops below 80 percent of the original value of the property or when a new appraisal establishes that your mortgage is 80 percent or less of the new appraised value.
- 6. Prepayment of Principal:** Some lenders charge borrowers a prepayment penalty if they pay the loan off early. If you think you may sell your home before the loan is paid off (most mortgages are repaid early) or plan to make principal payments before they are actually due, you need to know if there will be a penalty and for how long it will remain in effect. Some penalties are in effect only for the early years of the loan.
- 7. Loan Processing Time:** Loan approvals can take 30 to 60 days or more. Peak business periods, particularly when rates are dropping and many homeowners are refinancing, can affect a lender's response time. Ask each lending institution for its estimate, and see which can promise very short approval times. If interest rates are rising or you have an urgent need to get moved in, these "express" services may be the answer.
- 8. Closing Costs:** Closing costs are fees required by the lender at closing and can vary considerably from one financial institution to another. Ask specifically about the application fee, origination fee, points, credit report fee, appraisal fee, survey fee (if required), lender's attorney fee, cost of title search and title insurance, transfer taxes, and document preparation fee.

## CHECKLIST OF ADJUSTABLE-RATE MORTGAGE SHOPPING TERMS

If you're shopping for an adjustable-rate mortgage (ARM), ask the additional questions that follow. The most important thing to discover is the maximum amount your payments might increase.

- 1. Financial Index and Margin:** The interest rate on an ARM is determined by adding a margin or spread to a specified financial index. This is called the fully indexed rate. Find out both the financial index used (Treasury, Certificate of Deposit, Cost of Funds, etc.) and the margin (that is, how much higher is the ARM rate than the index rate?).
- 2. Initial Interest Rate:** Is the initial rate quoted the fully indexed rate or a lower introductory rate, sometimes called a teaser or discount rate? A teaser rate may sound like a bargain today, but it may turn out to cost you more in the long run. This low rate lasts only until the first adjustment. After that, you will be charged the fully indexed rate, at which point your payments may become unmanageable.
- 3. Adjustment Interval:** How often can the interest rate be adjusted – every six months, one year, three years, five years? A loan that adjusts its interest rate after six months is called a six-month ARM; after one year, a one-year ARM; etc.
- 4. Rate Caps:** Rate caps limit how much your interest rate can move, either up or down. Periodic caps limit the change per adjustment period, and a lifetime cap governs the maximum amount the interest rate can increase or decrease over the life of the loan. For example, you may find a one-year ARM with a 2 percent periodic cap and a 6 percent lifetime cap. If this one-year ARM is originated at 5.75 percent, after the one-year adjustment period it could be adjusted upward to as much as 7.75 percent, or downward to as low as 3.75 percent, depending on the movement of the index. Remember to consider the adjustment interval when comparing rate caps. The one-year ARM just described could reach its lifetime cap of 11.75 percent (original interest rate of 5.75 percent plus lifetime interest rate of 6 percent) in three years if interest rates rose steadily. A three-year ARM would just be making its first adjustment after such a three-year period.
- 5. Payment Caps:** Payment caps may appear similar to rate caps, but don't be misled. While they can limit how much your monthly payment increases, they don't restrict the interest rate from going up. Many ARMs with payment caps have no corresponding interest rate caps. As a result, you may end up paying the lender less than the amount of interest you owe each month. If this happens, this unpaid interest is added to your loan balance, and the principal amount you owe increase, rather than decreases with each payment. This is called negative amortization – and generally should be avoided.
- 6. Conversion to Fixed-Rate Loan:** Some ARMs let you covert to a fixed-rate mortgage at specified times, typically during the first five years of the loan. Because the convertibility feature is often an added expense (some lenders charge an extra point, for example), find out the exact conversion terms and how much it would cost you to convert your ARM to a fixed-rate loan. You'll want to compare this cost with the cost incurred and the interest rate savings you might gain by refinancing your mortgage to a fixed-rate loan. This will help you decide the relative advantages of each option to determine which is most cost-effective for you.

A Guide to Mortgage Products



A Glossary of Lending Terms  
and

# TRUE

**Know Before You Go... To Get A Mortgage**

# or FALSE?

Federal Reserve Bank of Boston

*The purpose of this guide is to provide general mortgage information to consumers and to shed some light on the risks associated with today's more complex mortgage offerings. It is by no means meant to counsel consumers to avoid certain products, but rather to alert them to potential risks, and encourage them to make informed decisions and to be aware that certain products may be appropriate for some borrowers but not for others.*

*Direct your questions to the Federal Reserve Bank of Boston's Consumer Hotline:  
or visit*

# Know Before You Go . . . To Get A Mortgage

## Section 1

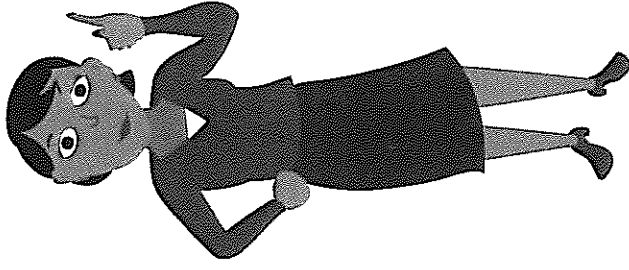
**False:** Currently, there are no federal or state laws requiring a mortgage lender to give you the best rate available. These days, many lenders offer a variety of mortgage products, some carrying higher interest rates than others.

For example, many lenders offer reduced-documentation loans, also known as low-doc. or no-doc. loans. These loans require the borrower to provide little financial documentation. They may, however, have pricing premiums attached and cost you more than a loan requiring full documentation (financial statements, proof of employment, etc.).

It is important to comparison shop and understand the loan terms and associated benefits and risks prior to choosing a product. Some mortgage lenders may advertise products that appear to carry substantially lower interest rates than others. These rates, however, may simply be introductory or “teaser” rates to attract customers. Typically, the introductory rate will adjust to a higher rate at some point in the loan term.

Federal law requires the lender to provide you with specific written disclosures during the application process. Federal Reserve Regulation Z, which implements the Truth in Lending Act, and the Real Estate Settlement Procedures Act (RESPA) mandate that the lender provide you with specific documents such as *The Good Faith Estimate* and the initial *Truth in Lending Disclosures*. These documents contain the terms of your loan: review them carefully before closing on your loan. They should accurately reflect the terms promised by your lender.

**True or False?  
Mortgage  
lenders are  
required to  
give me the  
lowest rate  
available.**

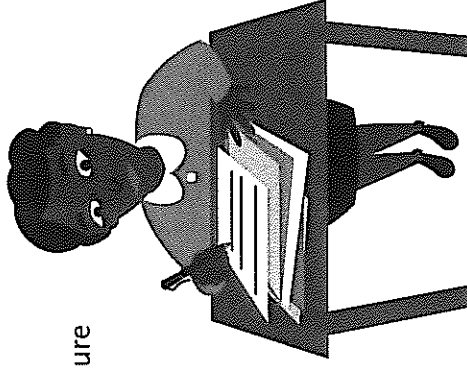


**What you should ask the lender:**

- Which of your products offers the lowest interest rate?
- Will my interest rate be fixed or variable (change periodically)?
- If the interest rate can change, when will it change and how high or low can it go?
- If the lender offers an introductory or “teaser” rate, ask, When does the rate expire and how will the new rate change my monthly payment amount?
- If the rate expires, what will the new rate be, and will it be fixed or variable?
- Would I qualify for a better interest rate if I went for a standard full-documentation loan rather than a low-doc. or no-doc. loan?

**Terms you should know:**

- Annual Percentage Rate (APR)
- Adjustable Rate Mortgage (ARM) Disclosure
- Good Faith Estimate (GFE)
- Initial Truth in Lending (TIL) Disclosure
- Reduced Documentation Loan
- Teaser Rate



*It is important to comparison shop and understand the loan terms.*

## Section 2

**False:** If you have a conventional mortgage, (a 15 - or 30 - year fixed rate product), your principal balance **will** fall every month because the product requires you to pay down both interest and principal each month and allows you to reduce (amortize) your loan amount.

That, however, is not necessarily the case with some of today's nontraditional mortgage products such as option-ARMs and interest-onlys with teaser rates: your balance may not fall, and in some cases it may go up, even though you make all the required payments. This is called negative amortization; it can occur if you choose to make minimum monthly payments that typically cover only a part of the monthly interest owed and none of the principal for a certain period of time. The interest that is not paid is added to your principal balance. As a result, your loan balance increases and could exceed what you originally intended to borrow.

The lender should provide you with clear information about the benefits and risks of the products it offers so that you can make an informed decision.

### **What you should ask the lender:**

*If the product permits negative amortization:*

(the loan balance can increase every month)

- May I have a repayment analysis that includes the initial loan amount plus any balance increase that may result from the negative amortization provision?

*If the lender suggests an option-ARM:*

(option to make minimum monthly payments OR interest only payments)

- What is the minimum monthly payment on the loan?
- If I make that payment, will my loan balance rise, fall, or stay the same?
- What effect will choosing minimum monthly payments have on how much of my home I actually own?

**True or False?**  
**No matter what type of mortgage I have, as long as I continue to make monthly mortgage payments, my principal balance will fall every month.**



- What effect will choosing interest-only payments have on my loan balance and my home equity (the amount of my home I own)?
- When I start paying down the principal, as required, how would the dollar amount of my payments compare to that of a conventional mortgage lasting the same number of years?

*If the lender suggests an interest-only mortgage:*

- (allows you to pay only the interest and no principal for a set period of time)
- When my payments increase after the designated period (usually 3-5 years), will I still be able to afford my home?
- How does the interest rate on an interest-only compare to a conventional 15- or 30-year mortgage?
- When I start paying down the principal, as required, how will the dollar amount of my payments compare to that of a conventional mortgage lasting the same number of years?

**Terms you should know:**

Adjustable-Rate Mortgage (ARM)

Amortization

Conventional (or traditional) Mortgage

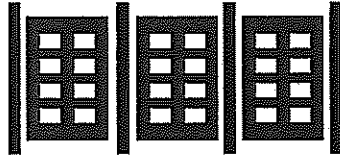
Interest-Only Mortgage

Minimum Monthly Payment (MMP)

Negative Amortization

Nontraditional Mortgage

Option-ARM



**The lender should provide you with clear information about the benefits and risks of its loan products.**

## Section 3

**True:** Depending on the terms of your loan, your monthly payments could increase — in some cases dramatically. Nontraditional mortgage loan products such as interest-onlys and option-ARMs are more complex than traditional fixed or 15 - or 30 - year adjustable rate mortgages (ARMs) and can carry a significant risk of payment shock (a large and sudden increase in your monthly payment).

To avoid drastic increases in your monthly payments, it is important for you to understand loan terms and associated benefits and risks prior to choosing one of the many mortgage products available today. If you are considering an adjustable-rate mortgage, traditional or otherwise, make sure you have the ability to repay the debt.

Federal law requires the lender to provide you with specific disclosures about the terms of your loan during the application process. Review these disclosures carefully. The lending institution should provide you with enough information to make an informed decision.

### What you should ask the lender:

- What is the most appropriate loan product for me?
- Can my monthly payments rise? If so, how much?

### Terms you should know:

Interest-Only Mortgages  
Nontraditional Mortgages  
Option-ARMs  
Payment Shock

**True or False?**  
**With many types of mortgages, my monthly payment could go up a lot from one month to the next.**

### How Your Payments Can Change

Example: option ARM

Loan Amount: \$350,000

Interest Rate: 6.35% (variable rate)

Introductory "Teaser" Rate: 1%

(for the first year)

Payments:

30-Year Amortization: \$1,960.00

(principal and interest)

Interest Only: \$1,667.00

(at 6.35%)

Minimum "Teaser" Rate: \$1,013.00

(at 1%)

## Section 4

**True or False?**  
**if the lender**  
**is willing to**  
**lend me the**  
**money for my**  
**dream house,**  
**I must be able**  
**to afford it!**

**False:** Typically, reputable mortgage lenders will not lend to you beyond your means. But others will and may not properly take into account your ability to repay should loan terms or your financial circumstances change.

For example, if you are considering an interest-only mortgage, the lender may qualify you based on your ability to make those interest payments without considering the fact that later on in the loan term you will have to pay down principal as well.

Lenders offer a variety of products that can make it much easier for you to get a house that would otherwise be unaffordable. As with any mortgage, these products are appropriate for some and not others. An interest-only loan may be beneficial to you if you plan to own the house for a short term. If, however, you plan to stay long term, you need to be able to continue to pay your mortgage when the loan resets at a new rate and your monthly payments increase. A soft second or piggyback loan (a mortgage taken to cover your down payment), or private mortgage insurance (PMI) may save you from making a down payment on the house at closing (traditionally 20 percent of the cost). But that means you are starting out with little or no equity in your home.

To obtain your dream house, be sure to understand the risks associated with mortgage products. First and foremost, be sure you can repay the debt. For the unwary borrower, the dream can turn to a financial nightmare if the product is inappropriate or too risky.

It is important, therefore, that you do your homework: Evaluate your financial circumstances to determine what you can and cannot afford before you agree to a mortgage.

### **Consider the following:**

- Think about how long you plan to stay in the house: is this a long- or short-term investment?
- Do you anticipate any changes in your compensation?
- If you plan to stay long term, will you be able to cover changes in your monthly payment and thereby avoid foreclosure or financial disaster?

### **What you should ask the lender:**

- Given my circumstances, is this loan suitable for me?
- If you are considering a piggyback loan (a simultaneous second loan) because you cannot afford to put a down payment on your dream house, ask, What will cost me more — a piggyback loan or PMI?
- Will I qualify for PMI?

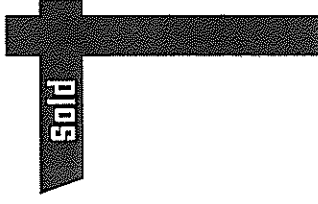
### **Terms you should know:**

Debt-to-Income Ratio (DTI)

Loan-to-Value Ratio (LTV)

Private Mortgage Insurance (PMI)

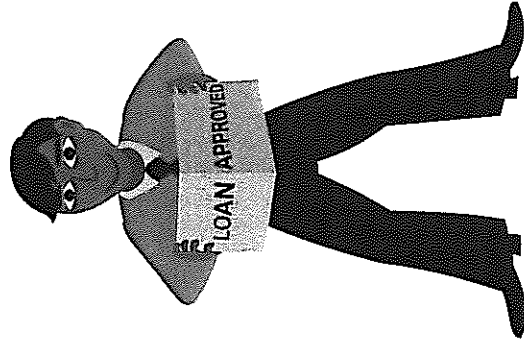
Simultaneous Second Lien Loan (Piggyback)



*To obtain your dream house, be sure to understand the risks associated with mortgage products.*

## Section 5

**True or False?**  
**I can always  
refinance my  
mortgage in  
the future.**



**False:** The truth is that in the following circumstances, it may be imprudent to refinance:

- 1) If home values stop going up, your original loan amount may exceed the value of your home;
- 2) If you have an adjustable-rate mortgage, it may be costly to refinance as interest rates start rising;
- 3) Prepayment penalties (fees charged for paying the loan off early) could limit your ability to get out of an unfavorable loan without substantial penalties; or
- 4) If your credit rating deteriorates, you may no longer qualify for the best rates.

Be cautious of lenders who want to steer you toward a particular product and make predictions about the future direction of interest rates. Telling you that you can always refinance at a later date is, in effect, making such a prediction.

### **What you should ask the lender:**

- How soon after I get the mortgage can I refinance?
- Are there penalties if I pay off the loan early?
- What is the dollar amount of the penalty?
- If the value of the house falls by 5 percent, for example, will I still qualify for the same type of mortgage when I refinance?

### **Terms you should know:**

Credit Score  
Credit Report  
Prepayment Penalty

**Beware of lenders who make predictions about the future  
direction of interest rates.**

# Glossary of Terms You Should Know

**Adjustable-Rate Mortgage (ARM):** The interest rates charged on these mortgages are tied to an interest-rate index. If the interest rate index rises, the mortgage interest rate and the monthly payment go up. If the interest rate index falls, the mortgage interest rate and monthly payment go down.

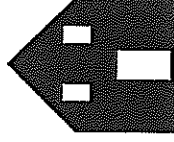
**Adjustable-Rate Mortgage (ARM) Disclosure:** This document describes the features of the adjustable-rate mortgage (ARM) program you are considering. It includes information about how your interest rates and payments are determined, how your interest rate can change, and how your monthly payment can change. The lender is required to provide this document to you when you hand in your application or before you pay a nonrefundable fee (whichever is earlier).

**Amortization:** This term refers to the gradual paying down of a loan. For example, traditional mortgage terms require that each payment include, in addition to interest, part of the loan principal. That way, you continually lessen the amount you owe and extinguish the debt within a set period of time.

**Annual Percentage Rate (APR):** The APR provides the true cost of a loan expressed as one number that enables you to compare all types of loans. The APR calculates the annual cost of the loan, taking into consideration points (loan origination fees), the interest rate, and other costs associated with getting the loan, including appraisal and credit report fees.

**Conventional Mortgage:** Also called a fixed-rate mortgage or a traditional mortgage, the interest rate remains the same for the life of the loan. The loan term is typically 15 or 30 years.

**Credit Report:** This is a report containing detailed information on your credit history. The report includes identifying information and details about your credit accounts, loans, bankruptcies, late payments, and recent credit inquiries. Prospective lenders will obtain these reports, with your permission, to evaluate your creditworthiness. Every year, you should order a free copy of your credit report and review it for accuracy.<sup>1</sup>



**Credit Score:** Your credit score is a measure of the risk you pose to someone who wants to lend you money. It is calculated using a standardized formula. There are many factors that could damage a credit score, including late payments and poor credit card use. Lenders may use your credit score to determine whether to give you a loan and what rate to charge. The better your credit score, the better the rate you can get on a loan.

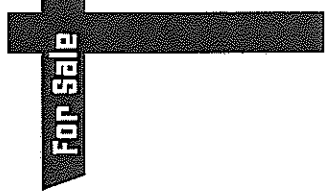
**Debt-to-Income Ratio (DTI):** This ratio represents your monthly fixed expenses divided by your gross monthly income (income before taxes and deductions). The lender uses this ratio to help determine how much it will lend you. If the percentage is greater than 36, the ratio could negatively impact your credit score because the lender considers you to have too much debt.

**Good Faith Estimate (GFE):** In this document, the lender estimates the amount of or range of charges for the specific settlement services that you are likely to incur in connection with the loan closing. The lender is required to deliver or mail the GFE to you within three business days after receiving or preparing the loan application.

**Initial Truth in Lending (TIL) Disclosure:** This document reflects the terms of the legal obligation between you and the lender. The lender is required to deliver or mail the TIL disclosure within three business days after receiving or preparing your loan application.

**Interest-Only Mortgage:** The borrower is required only to make interest payments for a specified number of years. When this initial period expires, the loan changes so the monthly payment includes principal and interest. At this point, the mortgage begins to fully amortize and monthly payments could increase significantly. The monthly principal payment could be greater than the conventional fixed-rate mortgage payment because there are fewer years to pay down the principal.

**Loan-to-Value Ratio (LTV):** The ratio compares the value of the loan with the fair market value of the home. The lender uses it to determine if its potential losses (in the event that you do not pay) may be recouped by selling the house.



**Minimum Monthly Payment (MMP):** This required payment typically covers only a portion of the interest and none of the principal.

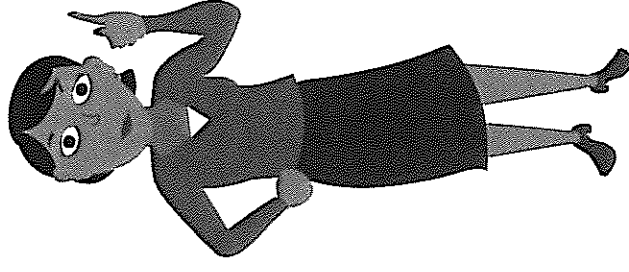
**Negative Amortization:** This can occur when you choose to make the minimum payments based on an offered “teaser” rate. The minimum monthly payment often does not cover the interest owed each month for a certain period of time. The interest that is not covered by these monthly payments becomes part of the principal. As a result, the balance of the loan increases and could eventually exceed what you intended to borrow in the first place.

**Nontraditional Mortgages:** These products are more complex than traditional fixed-rate or adjustable-rate mortgages. They present greater risk of negative amortization and payment shock. Typically referred to as *alternative* or *exotic*, these products take many different forms. They include interest-only mortgages, payment-option ARMS, low-doc. and no-doc. loans, piggybacks (simultaneous second lien loans – loans that cover the down payment) and 40- or 50-year mortgages. Although these products may provide flexibility for some, for others they may simply lead to increased future payment obligations and possibly financial disaster.

**Option-ARM:** This product typically offers the borrower three different monthly payment options: 1) payments of principal and interest, 2) interest-only payments, or 3) minimum monthly payments (“teaser” payment options that are less than interest-only payments). Choosing minimum monthly payments (MMPs) means the unpaid interest is added to your principal loan amount. To ensure that the loan is repaid within the agreed-upon time, these loans “recast” after a set number of years (usually three or five) or when negative amortization drives the loan amount to a certain level above the original loan amount. Monthly payments increase so that the loan fully amortizes.

**Payment Shock:** Payment shock is a large and sudden increase in monthly payments. It occurs primarily in interest-only products and option-adjustable-rate mortgages (option-ARMs).

**Prepayment Penalty:** The lender may charge a considerable fee if you pay off the loan early.





**Private Mortgage Insurance (PMI):** PMI is required by lenders when a loan is originated and closed without a 20 percent down payment. This insurance protects the lender from default losses in the event a loan becomes delinquent. If you are approved for a mortgage that requires PMI, you still have to apply for PMI and you may not qualify. You can be approved for a mortgage and not qualify for PMI.

**Reduced-Documentation Loan:** Commonly referred to as a low-doc. or no-doc. loan, this is a loan for which the lender sets reduced or minimal standards for documenting the borrower's income and assets. For example, the borrower may state that her income is a certain amount, and the lender will accept that statement with little or no documentation. Low-doc. loans may charge a higher interest rate than traditional products.

**Simultaneous Second-Lien Loan:** This product, also called a *piggyback loan* or *soft second*, provides an alternative to paying private mortgage insurance. (Lenders typically require PMI if your down payment is less than 20 percent of the purchase price.) The loan is originated simultaneously with the first-lien mortgage. There are many government programs offering these products to low- and moderate-income first-time homebuyers.<sup>2</sup>

Be sure to compare the cost of this second mortgage with the cost of purchasing PMI. If you take a simultaneous second-lien loan in place of making a down payment, you reduce the equity you have in your home. Also, if your second-lien loan is a home equity line of credit (HELOC), you may be exposed to increasing interest rates and higher monthly payments.

**Teaser Rates:** These are low rates that lenders offer to make mortgage products more attractive. When the "teaser-rate" period expires, the lender raises the interest rate for the remainder of the loan period. This new rate may be fixed or change periodically, depending upon the terms of your loan.

## Footnotes

<sup>1</sup>A recent amendment to the federal Fair Credit Reporting Act requires each of the national consumer reporting companies – Equifax, Experian, and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. To order, call (877) 322-8228, or visit <http://www.annualcreditreport.com>. This is the only online source authorized to provide you with a free report: beware of other sites that may look and sound similar.

<sup>2</sup> The Massachusetts Department of Housing and Community Development offers a soft second loan program to low- and moderate-income first-time borrowers. For more information, contact the Division of Housing Development at (617) 727-7824.

*Remember, don't check your common sense at the door! Be sure to understand the benefits and risks of the product you are considering. If it sounds too good to be true, it probably is. Before you sign on the dotted line, contact the Federal Reserve Bank of Boston with any questions. The Federal Reserve Bank of Boston's Consumer Hotline is (617) 973-3755.*

*or*

*See also*

Carol S. Lewis  
Fabienne Anselme Madsen  
Nina Frenkel



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