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January 24, 2012

Know Before You Owe: Something new for the new year



Written by The CFPB Mortgage Disclosure Team

First of all, happy new year to you all from the CFPB Mortgage Disclosure Team! Thank you for all you did to help us in 2011.

It's a new year, so we're going to do something, well, new! We've spent the past few months asking you to compare two prototypes for the disclosure consumers get soon after applying for a mortgage loan or the disclosure they receive when they close the loan. This month, we are asking people to look specifically at how the new closing disclosure prototypes work with our current application disclosure prototype. We will begin testing today in the City of Brotherly Love — Philadelphia, PA. It's a lot to look through, but we've also posted them online for you to look at. To weigh in, post a comment to this blog post, or email us at KnowBeforeYouOwe@cfpb.gov.

Settlement Disclosure		Can this amount increase after closing?	
Loan Amount	\$109,805.63	NO	
Interest Rate	4.375%	NO	
Monthly Principal & Interest	\$548.25	NO	
Prepayment Penalty	NO	Does the loan have these features?	
Balloon Payment	NO		
Projected Payments			
Payment Calculation		Years 1-7	Years 8-30
Principal & Interest	\$548.25	\$548.25	\$548.25
Mortgage Insurance	+	\$5.83	—
Estimated Service	+	\$22.94	+
Amount Due Over Time			\$421.94
Estimated Total Monthly Payment	\$1,027.01		\$971.19
Estimated Fees, Insurance & Assessments	\$551.25	<input type="checkbox"/> Know: Your actual payment covers your taxes, insurance & assessments at the time of closing. <input type="checkbox"/> Don't Know: You are not sure if you will pay for these items. See page 2 for more information. <input type="checkbox"/> Be Aware: You are not sure if you will pay for these items. See page 2 for more information.	
Amount Due Over Time			
See Section 4 on page 2			
Closing Costs			
Cash to Close	\$27,625.00	Closing Costs include \$5,519.53 in Settlement Fees. See Section 4 on page 2.	

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Principal & Interest	\$548.25	\$548.25	\$548.25
Mortgage Insurance	+	\$5.83	—
Estimated Service	+	\$22.94	+
Amount Due Over Time			\$421.94
Estimated Total Monthly Payment	\$1,027.01		\$971.19
Information about Fees, Insurance & Assessments	\$422.94	<input type="checkbox"/> Know: Your actual payment covers the taxes, insurance & assessments at the time of closing. You will not pay for other items. <input type="checkbox"/> Don't Know: You are not sure if you will pay for these items. See page 2 for more information. <input type="checkbox"/> Be Aware: You are not sure if you will pay for these items. See page 2 for more information.	
Amount Due Over Time			
See Section 4 on page 2			
Closing Costs			
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[View the full Butternut Bank disclosure.](#)

[View the full Hemlock Bank disclosure.](#)

Here's [the current version of the initial disclosure](#) so you can judge how well these closing disclosures work with it.

There's a lot of information to take in among this month's three forms, so we're not going to use the side-by-side comparison tool this time. But if you have feedback for us, we want to know what you think! Simply post a comment to this blog or send us an [email](#).

As we begin our third round of testing the closing disclosures today, we want to talk about what we learned last time. We asked you to tell us which of two settlement disclosures, [Mimos](#)

or [Sassafras](#), you found easier for consumers to use and understand. Many of you found the Sassafras form more consumer-friendly because the closing costs were organized in a format similar to our prototype application disclosure. However, some of you told us that we shouldn't eliminate line numbers. You've told us, among other things, that line numbers may help industry software systems that deal with the current HUD-1 settlement statement.

We reviewed this and your other feedback, as well as what we learned from our in-person consumer testing. We've made some changes we're excited about.

As you look at these prototypes, think about these questions:

- Can you easily find key loan terms?
- Are you able to identify changes to the loan terms or costs?
- Do you know who to contact to discuss your loan or changes to your loan?
- Do you have the information you would need to feel comfortable closing on the loan?
- Are the disclosures easy for lenders and settlement agents to use and explain to consumers?

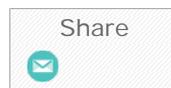
These prototypes use a format for closing costs that's similar to the format on the initial disclosure to enable the two forms to work well together. Consumers should be able to see if their final loan terms and costs are different from the numbers they were originally offered. They should have a clear picture before signing on the dotted line both of what they owe and whether it's what they expected to owe.

Next month will be our final round of Know Before You Owe testing. As we prepare for it, we want to pause and look at what Know Before You Owe for mortgages is all about. Over the next couple weeks, we'll look at the progress you helped us make from the beginning of this project, and how your voices have shaped the work we've done and the work we will do. We'll also explain the process of creating the federal rules that go along with these updated disclosures.

The final round of testing is coming soon. For the last hurrah, we want to get as many of you as possible to participate. We hope you'll sign up to get an email when this project moves forward.

 [Share this post](#), too, to make sure we get as many voices as possible. That's what this project is all about.

As we have said many times before, thank you! Quite simply, your feedback has made these forms better. We hope you'll continue to provide us with feedback here or by email. And be sure to sign up to receive an alert about our next and final round.



Learn more about [Know Before You Owe](#) | [Mortgage Disclosure](#) | [Mortgages](#)