The New Closing Disclosure Explained

A look at the different sections of the Closing Disclosure and explanations of each page.

Closing Disclosure At-a-glance

- The new form is 5 pages long
- New form replaces the TILA and HUD-1
- One Closing Disclosure is required for each loan
- Charge descriptions on both the Loan Estimate and Closing Disclosure must match.

The Closing Disclosure replaces the Truth-in-Lending Act (TILA) disclosure and the HUD-1 Settlement Statement. Under the final rule, the creditor is responsible for delivering the Closing Disclosure to the consumer, but creditors may use settlement agents to provide the Closing Disclosure, provided they comply with the final rule.

There is still a requirement for one Closing Disclosure for each loan and charge descriptions used on the Loan Estimate must be substantially similar to the descriptions used on the Closing Disclosure. This is so a consumer may easily identify a change in costs or terms by a comparison of the two forms.
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Page 1.
The first page of the Closing Disclosure is almost identical to the Page 1 of Loan Estimate. It describes the:
- Loan terms
- Loan amount
- Interest rate
- Monthly P&I, and
- Any prepayment penalty or balloon payment.

This page also provides the projected payments over the life of the loan. This page also discloses to the borrower what amounts will be deposited into their impound or escrow account and provides the total estimated costs closing costs and cash to close.

Page 2.
The second page is similar to the current Page 2 of the HUD-1 Settlement Statement. It provides a breakdown of all the closing cost details and lists all loan costs and other costs paid by borrower, seller, and other parties.
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Page 3.
The third page displays a Calculating Cash to Close table similar to the table on Page 2 of the Loan Estimate. This table provides a comparison to the charges disclosed on the Loan Estimate. The rest of the page shows the summaries of the borrower and seller costs and credits, similar to the current Page 1 of the HUD-1 Settlement Statement.

Page 4.
The fourth page contains disclosures about other terms of the loan, including:

- Whether the loan is assumable
- If the loan has a demand feature
- May impose a late payment fee and when it may be incurred
- If the loan has a negative amortization feature
- Whether the lender will accept partial payments
- Informs the borrower the lender will have a security interest in their property.

The page also includes a table describing what charges will be impounded and how much will be collected each month. Finally, the page includes adjustable payment and interest rate tables if their are applicable to the loan.
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Page 5.
On the fifth page under the heading “Loan Calculations” the consumer will find the:

- Total of payments over the life of the loan
- Finance charge
- Amount financed
- Annual Percentage Rate (APR)
- Total interest percentage information

Under “Other Disclosures” the consumer will find information about the:

- Appraisal (if applicable)
- Contract details
- Liability after foreclosure
- Refinance information
- Tax deductions

At the bottom of the page is the Contact Information and Signature lines. If signature lines are included, the following disclosure is used: “By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form” indicating a signature is intended only as a receipt of the form.

All of these forms, dates, rules, and laws can seem like a lot to take in. The good news is that we’ve done our homework and are here to help you understand what you need to know before you close.