

Truth-in-Lending Statement (TIL)

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The Truth-in-Lending Disclosure Statement (TIL) contains important details about the terms of your loan and its cost over time. We will always issue at least one Estimated TIL (usually shortly after you find a home to buy), but you may see several TILs as we process your loan. You will receive your Final TIL at closing. The form has three sections: the Federal Boxes, the Interest Rate and Payment Summary and bunch of Checkboxes.

Federal Boxes

The federal boxes are pretty hard to miss and generate lots of questions:

- Annual Percentage Rate (APR) – An aggregate of all financing costs, expressed as a yearly interest rate. Its purpose is to allow you to compare various loan options. For a much more comprehensive coverage of this topic check our APR information sheet.
- Finance Charge – The total dollar amount of all interest and finance charges you'll pay, assuming you keep your loan for its full term and pay only minimum payments. The TIL should come with an "Itemization of the Amount Financed" telling you which closing costs are considered part of your Finance Charge. Our DIY APR sheet covers this topic in more depth.
- Amount Financed – The dollar amount of the loan you've requested minus any the finance charges you are scheduled to pay at closing. We use this number to calculate your APR.
- Total of Payments – The total of all monthly payments and finance charges, including the principal of the loan, all interest, mortgage insurance and those closing costs considered to be finance charges. Like the Finance Charge, this number assumes minimum payments over the full term of the loan. Horrifying, isn't it? Look away.

Interest Rate and Payment Summary

Here's a section to love. It contains truly useful information and hardly needs an explanation. If you've chosen a fixed rate mortgage, you'll see your interest rate and a level principal and interest payment for the full term of the loan.

If you've chosen an adjustable rate, you'll see three payments: 1) the initial rate and payment and how many months that payment lasts, 2) the maximum rate and payment during the first five years of the loan and 3) the maximum rate and payment possible over the full term of the loan and the earliest date you could reach this rate. Good stuff to know.

If you have an escrow account for taxes and insurance or your loan requires monthly mortgage insurance, the initial amount you'll pay into your escrow account is shown. Taxes and insurance change annually, so don't trust the Total Estimated Monthly Payment to be accurate beyond the first year.

Checkboxes

The checkboxes are also chock full of useful information:

- Date and amount of any balloon payment (if applicable).
- Address of the collateral for the loan.
- Whether or not your loan is assumable.
- Estimated recording fees paid to the County. (Okay, that's a little random.)
- Key components and terms of a variable rate (if applicable).
- Grace period and amount of late fees.
- Whether or not you have a prepayment penalty.
- Whether or not any finance charges are refundable.

The checkboxes pretty much speak for themselves.

You'll find more information about balloon payments, assumption, prepayment penalties and adjustable rate mortgages in separate pdfs.

We do get questions about the finance charges item. Most loans "will not" be entitled to a refund of part of the finance charge. Don't be alarmed. This does not mean you must pay the full amount listed in the "Finance Charges" box up at the top of the page. It just means that once you've paid a finance charge (whether interest or a closing cost), you're not going to it back. (And why would you?) If the line above says that you "will not" have to pay a penalty, you're golden—you don't have to pay interest that has not yet accrued.

