



## FAQ: TRUTH-IN-LENDING DISCLOSURE STATEMENT

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you or on your behalf	The amount you will have paid after making all payments as scheduled
<b>A</b> %	<b>B</b> \$	<b>C</b> \$	<b>D</b> \$

- Q. What is the Truth-In-Lending Disclosure Statement and why do I receive it?**  
 A. The Disclosure is designed to give you information about the costs of your loan so that you may compare these costs with those of other loan programs or lenders.
- Q. What is the ANNUAL PERCENTAGE RATE in Box "A" above?**  
 A. The Annual Percentage Rate (APR) is the cost of your credit expressed as an annual rate. Because you may be paying loan discount "points" and other prepaid finance charges (marked as PFC on your Good Faith Estimate) at closing, the APR disclosed is typically higher than the interest rate on your loan. This APR can be compared to the APR on other loan programs to give you a consistent means to compare rates and programs...i.e. comparing apples to apples.
- Q. Why is the ANNUAL PERCENTAGE RATE in Box "A" different from the interest rate for which I applied?**  
 A. The APR is computed from the Amount Financed (Box "C") and based on what your proposed payments will be on the actual loan amount credited to you at settlement. For a \$100,000 fully amortized (not interest only) loan with \$4,000 in Prepaid Finance Charges, a 30 year term AND a fixed interest rate of 12%, the payments would be \$1,028.62 (principle and interest). Since the APR is based on the Amount Financed (\$96,000), while the payment is based on the actual loan amount given (\$100,000), the APR (12.554%) is higher than the interest rate of your loan.
- Q. What is the FINANCE CHARGE in Box "B" above?**  
 A. The Finance Charge is the cost of credit expressed in dollars and is a total of all items that are check-marked "PFC" in the right margin of your Good Faith Estimate. It is the total amount of interest calculated at the note interest rate over the life of the loan, plus Prepaid Finance Charges (PFC) and the total amount of any required mortgage insurance charged over the life of the loan.
- Q. What is the AMOUNT FINANCED in Box "C" above?**  
 A. The Amount Financed is the loan amount applied for, minus the Prepaid Finance Charges (PFC). Prepaid Finance Charges include items paid at or before settlement, such as loan origination, commitment or discount fees ("points"), adjusted interest, and initial mortgage insurance premium, if any. The Amount Financed is lower than the amount for which you applied because it represents a NET figure. If you applied for \$100,000 and the Prepaid Finance Charges total \$4,000, the Amount Financed would be \$96,000.
- Q. Does this mean that I will get a smaller loan than I applied for?**  
 A. No. If your loan is approved in the amount requested, you will receive credit toward your home purchase or refinance for the full amount of the loan for which you applied. In the example above, you would therefore receive a \$100,000 loan, not a \$96,000 loan.
- Q. What is the TOTAL OF PAYMENTS in Box "D" above?**  
 A. This figure represents the total amount you will have paid if you make the minimum required payments for the entire term of the loan. This includes principle, interest and mortgage insurance premiums as applicable, but does not include payments for real estate taxes or property insurance premiums.