

# ANSWERS TO THE MOST FREQUENTLY ASKED TRUTH-IN-LENDING QUESTIONS



By Shelly Mellomida

<b>A %</b> <b>Annual Percentage Rate</b> The cost of your credit at A yearly rate.	<b>\$ B</b> <b>Finance Charge</b> The dollar amount the credit will cost you assuming that the APR will not change.	<b>\$C</b> <b>Amount Financed</b> The amount of credit Provided to you or on your behalf as of loan closing.	<b>\$D</b> <b>Total of Payments</b> The amount you will have paid after you have made all Payments as scheduled assuming that the APR does not change.
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**Q. What is a Truth-in-Lending disclosure 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? (Box “A” Above)**

A. The ANNUAL PERCENTAGE RATE (A.P.R.) is the cost of your credit expressed as an annual rate. Because you may be paying loan discount “points” and other “prepaid” finance charges at closing, the A.P.R. disclosed is often higher than the interest rate on your loan. This A.P.R. can be compared to the A.P.R. on other loan programs to give you a consistent means of comparing rates and programs.

**Q. Why is the ANNUAL PERCENTAGE RATE different from the interest rate for which I applied?**

A. The A.P.R. is computed from the Amount Financed and based on what your proposed payments will be on the actual loan amount credited to you at settlement. In a \$50,000 loan with \$2,000 Prepaid Finance Charges, a 30 year term and a fixed interest rate of 12%, the payments would be \$514.31 (principle and interest). Since the A.P.R. is based on the Amount Financed (\$48,000), while the payment is based on the actual loan amount given (\$50,000), the A.P.R. (12.533%) is higher than the interest rate.

**Q. What is the FINANCE CHARGE? (Box “B” Above)**

A. The Finance Charge is the cost of credit expressed in dollars. It is the total amount of interest calculated at the interest rate over the life of the loan, plus Prepaid Finance Charges and the total amount of any required mortgage insurance charged over the life of the loan.

**Q. What is the AMOUNT FINANCED? (Box “C” Above)**

A. The Amount Financed is the loan amount applied for, minus the Prepaid Finance Charges. 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. The Amount Financed is lower than the amount you applied for because it represents a NET figure. If you applied for \$50,000 and the Prepaid Finance Charges total \$2,000, the Amount Financed would be \$48,000.

**Q. Does this mean 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 for which you applied. In the example above, you will therefore receive a \$50,000, not a \$48,000 loan.

**Q. What is the TOTAL OF PAYMENTS? (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, but does not include payments for real estate taxes or property insurance premiums.

**Q. My Disclosure says that if I pay the loan off early, I will not be entitled to a refund of part of the finance charge. What does this mean?**

A. This means that you will be charged interest for the period of time in which you used the money loaned to you. Your prepaid finance charges are generally not refundable, nor is any interest, which is already paid.

**Q. What is the Filing Fee?**

A. The Filing Fee is an estimate of the cost of recording the legal documents (mortgage, deed of trust, deed, etc.) connected with your transaction. The fee will be charged at settlement; please do not send it now.

I hope this helps to explain this California disclosure form. Should you have any questions or concerns, please don't hesitate to contact me.

Sincerely,

Shelly Mellomida - Essex Mortgage – License ID: 01818954

Your Personal Mortgage Planner For life!

“By Referral Only” is the heart of my business. My commitment is to devote my time and energy focusing on **your goals** to provide you the excellent service and education you deserve! It is truly my passion to build my business on strong, lasting relationships through confidence and trust! Starting with you...