

INSTRUCTIONS TO CLOSING SCRIPT PREPARER

The Closing Script is comprised of nine categories: Introduction, Loan Description, Interest Rate, Payment, Late Payment, Prepayment Penalty, Balloon Loan, Closing Costs, and Acknowledgment.

Each category in this document contains clauses that are required in preparing a Closing Script specific to each purchase or refinance loan.

The clauses should appear in the Closing Script in the same categorical order as listed in this instructional document.

All clauses that contain information in bold typeset must remain in bold typeset and all blank spaces in the selected clauses must be completed with the borrower's specific loan information.

The party preparing the Closing Script must complete the Closing Script with information provided by the loan originator, contained in the Good Faith Estimate (GFE), the Lender's General and Specific Closing Instructions, the Note, the Deed of Trust or Mortgage, and any other instrument(s) securing the loan.

Introduction (include in all Closing Scripts)

The following paragraph introduces the Closing Script to the borrower(s). It must be used in all Closing Scripts.

THESE ARE YOUR LOAN DETAILS

The following is a summary of many important details involving the mortgage loan for (PROPERTY ADDRESS). Let's compare these important details with the Good Faith Estimate (GFE), loan documents, and other disclosures.

Loan Description (include in all Closing Scripts)

The Loan Amount must state the total loan amount as evidenced in the Note.

The Loan Term must state in months or years the length of the loan.

The Loan Type must state the following:

- If the loan is Conventional, FHA, VA, or other government program.
- If the loan is a Fixed Rate, Adjustable Rate, Hybrid Adjustable, Payment Option Mortgage or other such description that correctly identifies the loan product.

Loan Amount \$ _____	Loan Term _____	Loan Type _____
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Interest Rate (Chose one of the following)

Fixed Interest Rate

Your loan has a fixed interest rate of ____%.

A fixed interest rate means that your interest rate will not rise over the life of the loan.

Adjustable Rate Mortgage

Your initial interest rate is ____%.

Your loan has an adjustable interest rate, which means that the interest rate can rise over the life of the loan.

Your first interest rate adjustment or change date is _____ and may change every _____ thereafter. Your interest rate can increase or decrease by ____ on every change date, but will never be lower than ____% or higher than ____% over the life of the loan.

Adjustable Interest Rate with Initial Discounted Interest Rate

Your initial interest rate is ____%. This is a discounted interest rate and will adjust to ____% in ____ (days/months) on (DATE).

Your loan has an adjustable interest rate which means that the interest rate can rise over the life of the loan.

Your second change date will be **(DATE)** and may change every _____ thereafter. Your interest rate can increase or decrease by _____ % on every change date, but will never be lower than _____ % or higher than _____ % over the life of the loan.

Hybrid Adjustable Rate Mortgage

Your loan is a hybrid adjustable rate mortgage.

You have an initial fixed interest rate of ____%. As long as your interest rate remains fixed, your interest rate will not rise.

Your initial fixed interest rate will change to an adjustable rate mortgage on the first change date, _____. The adjustable interest rate may change every _____ thereafter. Your interest rate can increase or decrease by ____ % on every change date, but will never be lower than ____% or higher than ____% over the life of the loan.

When your loan changes from a fixed interest rate to an adjustable interest rate, your interest rate can rise.

Payment (Choose one of the following)

(Fixed Rate – With Escrow Account)

Payment

Your loan payment for principal and interest (\$_____) and mortgage insurance (\$_____) is \$_____ and **can/cannot** rise.

- AND -

You have an escrow account. In addition to any mortgage insurance, your initial escrow payment is \$_____ for (*INSERT THE TYPE OF ALL ESCROWED ITEMS SUCH AS PROPERTY TAXES OR HOMEOWNERS INSURANCE INTO THE FOLLOWING BLANKS. DO NOT INCLUDE MORTGAGE INSURANCE. ADDITIONAL BLANKS MAY BE ADDED AND EXTRA BLANKS MAY BE REMOVED*) _____, _____, and _____.

This amount may increase.

Your total payment is \$_____ for principal*, interest, any mortgage insurance, (*INSERT THE TYPE OF ALL ESCROWED ITEMS SUCH AS PROPERTY TAXES OR HOMEOWNERS INSURANCE INTO THE FOLLOWING BLANKS. ADDITIONAL BLANKS MAY BE ADDED AND EXTRA BLANKS MAY BE REMOVED*) _____, _____, and _____.

*Omit principal if loan is interest-only.

- OR -

(Fixed Rate – No Escrow Account)

Payment

Your loan payment for principal and interest (\$_____) and mortgage insurance (\$_____) is \$_____ and **can/cannot** rise.

- AND -

You do not have an escrow account. Any and all items such as property taxes and homeowners insurance must be paid directly by you.

Your total payment is \$_____ for principal, interest, and any mortgage insurance.

- OR -

(Adjustable Interest Rate, Adjustable Interest Rate with Initial Discounted Rate
or Hybrid Adjustable Interest Rate - With Escrow Account)

Payment

Your initial loan payment for principal and interest (\$_____) and mortgage insurance (\$_____) is \$_____ and **can rise**.

- AND -

The highest your principal and interest payment can reach, based on the maximum interest rate of _____% is \$_____. The earliest it can reach this is _____.

You have an escrow account. In addition to any mortgage insurance, your initial escrow payment is \$_____ for (*INSERT THE TYPE OF ALL ESCROWED ITEMS SUCH AS PROPERTY TAXES OR HOMEOWNERS INSURANCE INTO THE FOLLOWING BLANKS. DO NOT INLCUDE MORTGAGE INSURANCE. ADDITIONAL BLANKS MAY BE ADDED AND EXTRA BLANKS MAY BE REMOVED*) _____, _____, and _____. This amount may increase.

Your total initial payment is \$_____ for principal, interest, any mortgage insurance (*INSERT THE TYPE OF ALL ESCROWED ITEMS SUCH AS PROPERTY TAXES OR HOMEOWNERS INSURANCE INTO THE FOLLOWING BLANKS. DO NOT INCLUDE MORTGAGE INSURANCE. ADDITIONAL BLANKS MAY BE ADDED AND EXTRA BLANKS MAY BE REMOVED*) _____, _____, and _____.

- OR -

(Adjustable Interest Rate, Adjustable Interest Rate with Initial Discounted Rate
or Hybrid Adjustable Interest Rate – No Escrow Account)

Payment

Your initial loan payment for principal and interest (\$_____) and mortgage insurance (\$_____) is \$_____ and **can rise**.

- AND -

The highest your principal and interest payment can reach, based on the maximum interest rate of _____% is \$_____. The earliest it can reach this is _____.

You do not have an escrow account. Any and all items such as property taxes and homeowners insurance must be paid directly by you.

Your total initial payment is \$_____ for principal, interest, and any mortgage insurance.

Additional Payment Clauses (insert if applicable)

Interest-Only Mortgage

(INSERT THE INTEREST-ONLY CLAUSE, WHEN APPLICABLE, AND REPLACE THE FIRST SENTENCE IN THE PAYMENT CATEGORY CLAUSE.)

Your loan payment for interest (\$_____) and mortgage insurance (\$_____) is \$_____ and **can/cannot rise**. This will not reduce the principal balance of your loan.

Payment Option Mortgage

This type of loan allows you to choose from three payment options: the traditional principal and interest payment, the interest-only payment, and the minimum interest payment. This is what your initial payment choice will look like:

Principal & Interest Payment at ____%: \$_____
(reduces loan balance) \$_____ principal, \$_____ interest

Interest-Only Payment at ____%: \$_____
(will not reduce loan balance) \$0 principal, \$_____ interest

Minimum Interest Payment at ____%: \$_____
(will INCREASE loan balance) \$0 principal, \$_____ interest

AND \$_____ is added to your loan balance

If you choose to pay the minimum interest payment, your loan balance will increase. This increase instead of a decrease in your loan balance is called negative amortization. If the loan balance increases, your monthly mortgage payment will also increase to cover the difference.

If your loan balance rises above ____%, as indicated in your Note, your lender has the right to increase your loan payments greatly for the remainder of the loan.

Late Payment (include in all Closing Scripts)

Your loan payment is due on the ____ of every month and is considered late after the ____ of every month. If your lender receives your mortgage payment after the ____, your lender will charge a late fee of ____% of the overdue payment of principal and interest.

*If loan payment terms are other than monthly, modify accordingly.

Loan Balance (choose one of the following)

Your loan balance cannot rise.

- OR -

Loan Balance

Your loan balance **can rise to a maximum of \$_____.**

Prepayment Penalty (choose one of the following)

Prepayment Penalty

You **do not have** a pre-payment penalty.

- OR -

Prepayment Penalty

You **have** a pre-payment penalty.

A prepayment penalty is an additional amount that you will be required to pay if you pay your loan off early such as through the sale of your home, refinancing your loan, or if you make significant additional payments to principal prior to **(DATE)**. Based on your initial loan amount, your prepayment penalty may be as high as \$_____.

Balloon Loan (choose one of the following)

You **do not have** a balloon payment.

- OR -

Balloon Payment

Your loan has a balloon payment. At the end of the loan term, any balance remaining will have to be paid. In the case of a balloon loan, often very little, if any, of the loan balance is paid down, therefore, the last payment, the balloon payment can be most of the initial loan balance. Most consumers with a balloon note refinance their loan before the final balloon payment becomes due.

Your balloon payment will become due on **(DATE)** in the amount of \$_____.

Closing Costs (include in all Closing Scripts)

Closing Costs

Next we will review all of the HUD-1/1A charges and credits associated with your loan and compare them to the GFE you received when you applied for this loan.

Preparation of the GFE & HUD-1/1A Actual Charges Comparison Chart

The Comparison Chart is to be prepared using the exact information and amounts from the GFE and the actual settlement charges shown on the HUD-1/1A Settlement Statement.

The Comparison Chart is comprised of three categories: Charges Cannot Increase, Charges Cannot Increase More Than 10%, and Charges Can Change, and three columns; Good Faith Estimate, HUD-1/1A, and \$ Increase.

GFE Instructions:

All information and amounts from the borrower's GFE numbered 1, 2, and 6 must be entered in the Charges Cannot Increase category in the GFE column.

All information and amounts from the borrower's GFE numbered 3, 4, 5, and 10 must be entered in the Charges Cannot Increase More Than 10% category in the GFE column **IF** these are services required or identified by the loan originator. Additional lines may be added.

All information and amounts from the borrower's GFE numbered 3, 4, 5, and 10 must be entered in the Charges Can Change category in the GFE column **IF** these are services selected by the borrower. Additional lines may be added.

HUD-1/1A Instructions:

All information and amounts obtained from the HUD-1/1A must be entered into the HUD-1/1A column in the same category that corresponds to the information/amount obtained from the borrower's GFE. Additional lines may be added to the Charges Cannot Increase More Than 10% and the Charges Can Change categories.

\$ Increase Instructions:

Charges Cannot Increase Category – Any increases in any line items in the GFE and the HUD-1/1A columns must be shown numerically. Each increase must be listed separately and not totaled.

Charges Cannot Increase More Than 10% – The sum of all line items shown in this category must be entered in numerical format totaled and calculated as a percentage increase.

Charges Can Change – No information is required to be entered into this column for this category, but may be listed voluntarily.

GFE & HUD-1/1A Charges Comparison Chart			
	Good Faith Estimate	HUD-1/1A	\$ Increase
Charges Cannot Increase			

Our service charge (HUD-1/1A Line #801)			
Your credit or charge for the specific interest rate chosen (HUD-1/1A Line #802)			
Your Adjusted Origination Charges (HUD-1/1A Line #803)			
Government recording and transfer charges (HUD-1/1A Line #1201)			
Charges Cannot Increase More Than 10%			
Appraisal (HUD-1/1A Line #804)			
Credit Report (HUD-1/1A Line #805)			
Tax service (HUD-1/1A Line #806)			
Flood certification (HUD-1/1A Line #807)			
Mortgage Insurance Premium (HUD-1/1A Line #902)			
_____ (HUD-1/1A Line #___)			
_____ (HUD-1/1A Line #___)			
_____ (HUD-1/1A Line #___)			
Total			
*Increase between GFE and HUD-1/1A Charges	%		
Charges Can Change			
Reserves or escrow (HUD-1/1A Line #1001)			
Daily interest charges (HUD-1/1A Line #901) \$_____ per day			
Homeowners insurance (HUD-1/1A Line #903)			
_____ (HUD-1/1A Line #___)			
_____ (HUD-1/1A Line #___)			
_____ (HUD-1/1A Line #___)			

Acknowledgment (include in all Closing Scripts)

The acknowledgment must be signed and dated by the party conducting the closing and all borrowers.

Acknowledgment

The undersigned hereby state that the Closing Script was read and the following information was provided and explained:

1. The comparison between the charges listed on the HUD-1/1A settlement form and the estimate of charges on the GFE;
2. Whether or not the tolerances have been met within the applicable categories between the GFE and the HUD-1/1A; and
3. Any inconsistencies between the loan documents (including the mortgage note) and the summary of the loan terms on the GFE, and between the HUD-1/1A settlement charges and the charges stated on the GFE.

_____ (Representative) _____ (Company)

_____ (Borrower) _____ (Borrower)

_____ (Date)