

KNOW BEFORE YOU OWE

Know Before You Owe



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INFORMATION DEEMED RELIABLE BUT NOT GUARANTEED AND SHOULD BE VERIFIED. SQUARE FOOTAGE IS APPROXIMATE AND MAY INCLUDE BOTH FINISHED AND UNFINISHED AREAS - CONSULT BROKER FOR INFORMATION. IF YOUR HOME IS CURRENTLY LISTED, THIS IS NOT INTENDED AS SOLICITATION. EACH OFFICE IS INDEPENDENTLY OWNED AND OPERATED.



# What is your Closing Disclosure?

The five-page Closing Disclosure sums up the terms of your loan and what you pay at closing. You can easily compare the numbers to the Loan Estimate you received earlier. There should not be any significant changes other than those you have already agreed to.

Take out your own Closing Disclosure, or review the example here. Double-check that you clearly understand what you'll be expected to pay—over the life of your loan and at closing.

## ON PAGE 1 OF 5

### Loan terms

Review your monthly payment. Part of it goes to repay what you borrowed (and may build equity in your new home), and part of it goes to pay interest (which doesn't build equity). Equity is the current market value of your home minus the amount you still owe on your mortgage.

### Costs at Closing

Be prepared to bring the full "Cash to Close" amount with you to your closing. This amount includes your down payment and closing costs. The closing costs are itemized on the following pages.

## ON PAGE 2 OF 5

### Total Loan Costs

Origination charges are fees your lender charges to make your loan. Some closing costs are fees paid to the providers selected by your lender. Some are fees you pay to providers you chose on your own.

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Origination charges are fees your lender charges to make your loan. Some closing costs are fees paid to the providers selected by your lender. Some are fees you pay to providers you chose on your own.

| Closing Disclosure                                                                                             |                     | This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.                                                                                                                                                                                                            |                                       |
|----------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| <b>Closing Information</b>                                                                                     |                     | <b>Transaction Information</b>                                                                                                                                                                                                                                                                                            |                                       |
| <b>Date Issued</b>                                                                                             | 4/15/2013           | <b>Borrower</b>                                                                                                                                                                                                                                                                                                           | Michael Jones and Mary Stone          |
| <b>Closing Date</b>                                                                                            | 4/15/2013           |                                                                                                                                                                                                                                                                                                                           | 123 Anywhere Street                   |
| <b>Disbursement Date</b>                                                                                       | 4/15/2013           |                                                                                                                                                                                                                                                                                                                           | Anytown, ST 12345                     |
| <b>Settlement Agent</b>                                                                                        | Epsilon Title Co.   | <b>Seller</b>                                                                                                                                                                                                                                                                                                             | Steve Cole and Amy Doe                |
| <b>File #</b>                                                                                                  | 12-3456             |                                                                                                                                                                                                                                                                                                                           | 321 Somewhere Drive                   |
| <b>Property</b>                                                                                                | 456 Somewhere Ave   |                                                                                                                                                                                                                                                                                                                           | Anytown, ST 12345                     |
|                                                                                                                | Anytown, ST 12345   | <b>Lender</b>                                                                                                                                                                                                                                                                                                             | Ficus Bank                            |
| <b>Sale Price</b>                                                                                              | \$180,000           |                                                                                                                                                                                                                                                                                                                           |                                       |
| <b>Loan Terms</b>                                                                                              |                     | <b>Can this amount increase after closing?</b>                                                                                                                                                                                                                                                                            |                                       |
| <b>Loan Amount</b>                                                                                             | \$162,000           | NO                                                                                                                                                                                                                                                                                                                        |                                       |
| <b>Interest Rate</b>                                                                                           | 3.875%              | NO                                                                                                                                                                                                                                                                                                                        |                                       |
| <b>Monthly Principal &amp; Interest</b>                                                                        | \$761.78            | NO                                                                                                                                                                                                                                                                                                                        |                                       |
| See Projected Payments below for your Estimated Total Monthly Payment                                          |                     |                                                                                                                                                                                                                                                                                                                           |                                       |
| <b>Prepayment Penalty</b>                                                                                      |                     | <b>Does the loan have these features?</b>                                                                                                                                                                                                                                                                                 |                                       |
|                                                                                                                |                     | YES • As high as \$3,240 if you pay off the loan during the first 2 years                                                                                                                                                                                                                                                 |                                       |
| <b>Balloon Payment</b>                                                                                         |                     | NO                                                                                                                                                                                                                                                                                                                        |                                       |
| <b>Projected Payments</b>                                                                                      |                     |                                                                                                                                                                                                                                                                                                                           |                                       |
| <b>Payment Calculation Y</b>                                                                                   | <b>Years 1-7Y</b>   |                                                                                                                                                                                                                                                                                                                           | <b>Years 8-30</b>                     |
| Principal & Interest                                                                                           | \$761.78            |                                                                                                                                                                                                                                                                                                                           | \$761.78                              |
| Mortgage Insurance                                                                                             | + 82.35             |                                                                                                                                                                                                                                                                                                                           | + —                                   |
| Estimated Escrow<br>Amount can increase over time                                                              | + 206.13            |                                                                                                                                                                                                                                                                                                                           | + 206.13                              |
| <b>Estimated Total Monthly Payment</b>                                                                         | <b>\$1,050.26</b>   |                                                                                                                                                                                                                                                                                                                           | <b>\$967.91</b>                       |
| <b>Estimated Taxes, Insurance &amp; Assessments</b><br>Amount can increase over time<br>See page 4 for details | \$356.13<br>a month | <b>This estimate includes</b><br><input checked="" type="checkbox"/> Property Taxes<br><input checked="" type="checkbox"/> Homeowner's Insurance<br><input checked="" type="checkbox"/> Other: Homeowners Association Dues<br>See Escrow Account on page 4 for details. You must pay for other property costs separately. | <b>In escrow?</b><br>YES<br>YES<br>NO |
| <b>Costs at Closing</b>                                                                                        |                     |                                                                                                                                                                                                                                                                                                                           |                                       |
| <b>Closing Costs</b>                                                                                           | \$9,712.10          | Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. See page 2 for details.                                                                                                                                                                                                            |                                       |
| <b>Cash to Close</b>                                                                                           | \$14,147.26         | Includes Closing Costs. See Calculating Cash to Close on page 3 for details.                                                                                                                                                                                                                                              |                                       |
| CLOSING DISCLOSURE                                                                                             |                     | PAGE 1 OF 5 • LOAN ID # 123456789                                                                                                                                                                                                                                                                                         |                                       |

Closing Disclosure, page 1. The most important facts about your loan are on the first page

# What is your Closing Disclosure?

## Escrow

An escrow or impound account is a special account where monthly insurance and tax payments are held until they are paid out each year. You get a statement showing how much money your lender or mortgage servicer plans to require for your escrow or impound account.

You also get an annual analysis showing what happened to the money in your account. Your lender must follow federal rules to make sure they do not end up with a large surplus or shortage in your escrow or impound account.

### Closing Cost Details

| Loan Costs                                                         | Borrower-Paid     |                | Seller-Paid |                | Paid by Others |
|--------------------------------------------------------------------|-------------------|----------------|-------------|----------------|----------------|
|                                                                    | At Closing        | Before Closing | At Closing  | Before Closing |                |
| <b>A. Origination Charges</b>                                      | <b>\$1,802.00</b> |                |             |                |                |
| 01 0.25 % of Loan Amount (Points)                                  | \$405.00          |                |             |                |                |
| 02 Application Fee                                                 | \$300.00          |                |             |                |                |
| 03 Underwriting Fee                                                | \$1,097.00        |                |             |                |                |
| 04                                                                 |                   |                |             |                |                |
| 05                                                                 |                   |                |             |                |                |
| 06                                                                 |                   |                |             |                |                |
| 07                                                                 |                   |                |             |                |                |
| 08                                                                 |                   |                |             |                |                |
| <b>B. Services Borrower Did Not Shop For</b>                       | <b>\$236.55</b>   |                |             |                |                |
| 01 Appraisal Fee to John Smith Appraisers Inc.                     |                   |                |             |                | \$405.00       |
| 02 Credit Report Fee to Information Inc.                           |                   | \$29.80        |             |                |                |
| 03 Flood Determination Fee to Info Co.                             | \$20.00           |                |             |                |                |
| 04 Flood Monitoring Fee to Info Co.                                | \$31.75           |                |             |                |                |
| 05 Tax Monitoring Fee to Info Co.                                  | \$75.00           |                |             |                |                |
| 06 Tax Status Research Fee to Info Co.                             | \$80.00           |                |             |                |                |
| 07                                                                 |                   |                |             |                |                |
| 08                                                                 |                   |                |             |                |                |
| 09                                                                 |                   |                |             |                |                |
| 10                                                                 |                   |                |             |                |                |
| <b>C. Services Borrower Did Shop For</b>                           | <b>\$2,655.50</b> |                |             |                |                |
| 01 Pest Inspection Fee to Pests Co.                                | \$120.50          |                |             |                |                |
| 02 Survey Fee to Surveys Co.                                       | \$85.00           |                |             |                |                |
| 03 Title – Insurance Binder to Epsilon Title Co.                   | \$650.00          |                |             |                |                |
| 04 Title – Lender's Title Insurance to Epsilon Title Co.           | \$500.00          |                |             |                |                |
| 05 Title – Settlement Agent Fee to Epsilon Title Co.               | \$500.00          |                |             |                |                |
| 06 Title – Title Search to Epsilon Title Co.                       | \$800.00          |                |             |                |                |
| 07                                                                 |                   |                |             |                |                |
| 08                                                                 |                   |                |             |                |                |
| <b>D. TOTAL LOAN COSTS (Borrower-Paid)</b>                         | <b>\$4,694.05</b> |                |             |                |                |
| Loan Costs Subtotals (A + B + C)                                   | \$4,664.25        | \$29.80        |             |                |                |
| <b>Other Costs</b>                                                 |                   |                |             |                |                |
| <b>E. Taxes and Other Government Fees</b>                          | <b>\$85.00</b>    |                |             |                |                |
| 01 Recording Fees Deed: \$40.00 Mortgage: \$45.00                  | \$85.00           |                |             |                |                |
| 02 Transfer Tax to Any State                                       |                   |                | \$950.00    |                |                |
| <b>F. Prepaids</b>                                                 | <b>\$2,120.80</b> |                |             |                |                |
| 01 Homeowner's Insurance Premium ( 12 mo.) to Insurance Co.        | \$1,209.96        |                |             |                |                |
| 02 Mortgage Insurance Premium ( mo.)                               |                   |                |             |                |                |
| 03 Prepaid Interest ( \$17.44 per day from 4/15/13 to 5/1/13 )     | \$279.04          |                |             |                |                |
| 04 Property Taxes ( 6 mo.) to Any County USA                       | \$631.80          |                |             |                |                |
| 05                                                                 |                   |                |             |                |                |
| <b>G. Initial Escrow Payment at Closing</b>                        | <b>\$412.25</b>   |                |             |                |                |
| 01 Homeowner's Insurance \$100.83 per month for 2 mo.              | \$201.66          |                |             |                |                |
| 02 Mortgage Insurance per month for mo.                            |                   |                |             |                |                |
| 03 Property Taxes \$105.30 per month for 2 mo.                     | \$210.60          |                |             |                |                |
| 04                                                                 |                   |                |             |                |                |
| 05                                                                 |                   |                |             |                |                |
| 06                                                                 |                   |                |             |                |                |
| 07                                                                 |                   |                |             |                |                |
| 08 Aggregate Adjustment                                            | -0.01             |                |             |                |                |
| <b>H. Other</b>                                                    | <b>\$2,400.00</b> |                |             |                |                |
| 01 HOA Capital Contribution to HOA Acre Inc.                       | \$500.00          |                |             |                |                |
| 02 HOA Processing Fee to HOA Acre Inc.                             | \$150.00          |                |             |                |                |
| 03 Home Inspection Fee to Engineers Inc.                           | \$750.00          |                |             |                | \$750.00       |
| 04 Home Warranty Fee to XYZ Warranty Inc.                          |                   |                | \$450.00    |                |                |
| 05 Real Estate Commission to Alpha Real Estate Broker              |                   |                | \$5,700.00  |                |                |
| 06 Real Estate Commission to Omega Real Estate Broker              |                   |                | \$5,700.00  |                |                |
| 07 Title – Owner's Title Insurance (optional) to Epsilon Title Co. | \$1,000.00        |                |             |                |                |
| 08                                                                 |                   |                |             |                |                |
| <b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>                        | <b>\$5,018.05</b> |                |             |                |                |
| Other Costs Subtotals (E + F + G + H)                              | \$5,018.05        |                |             |                |                |
| <b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>                      | <b>\$9,712.10</b> |                |             |                |                |
| Closing Costs Subtotals (D + I)                                    | \$9,682.30        | \$29.80        | \$12,800.00 | \$750.00       | \$405.00       |
| Lender Credits                                                     |                   |                |             |                |                |

CLOSING DISCLOSURE

PAGE 2 OF 5 • LOAN ID # 123456789

Details of your closing costs appear on page 2 of the Closing Disclosure.

## USE YOUR CLOSING DISCLOSURE TO CONFIRM THE DETAILS OF YOUR LOAN

Circle one. If you answer no, turn to the page indicated for more information:

The interest rate is what I was expecting based on my Loan Estimate.

YES | NO

I know whether I have a prepayment penalty or balloon payment.

YES | NO

I know whether or not my payment changes in future years.

YES | NO

I see whether I am paying points or receiving points at closing.

YES | NO

I know whether I have an escrow account.

YES | NO

# What is your Closing Disclosure?

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## Calculating Cash to Close

Closing costs are only a part of the total cash you need to bring to closing.

## Summaries of Transactions

The section at the bottom of the page sums up how the money flows among you, the lender, and the seller.

ON PAGE 4 OF 5

## Loan Disclosures

Page 4 breaks down what is and is not included in your escrow or impound account. Make sure you understand what is paid from your escrow account and what you are responsible for paying yourself.

**Top image:** A summary of important financial information appears on page 3 of the Closing Disclosure.

**Bottom image:** More details of your loan appear on page 4 of your Closing Disclosure.

### Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

|                                                     | Loan Estimate      | Final              | Did this change?                                                       |
|-----------------------------------------------------|--------------------|--------------------|------------------------------------------------------------------------|
| Total Closing Costs (J)                             | \$8,054.00         | \$9,712.10         | YES • See <b>Total Loan Costs (D)</b> and <b>Total Other Costs (I)</b> |
| Closing Costs Paid Before Closing                   | \$0                | – \$29.80          | YES • You paid these Closing Costs <b>before closing</b>               |
| Closing Costs Financed (Paid from your Loan Amount) | \$0                | \$0                | NO                                                                     |
| Down Payment/Funds from Borrower                    | \$18,000.00        | \$18,000.00        | NO                                                                     |
| Deposit                                             | – \$10,000.00      | – \$10,000.00      | NO                                                                     |
| Funds for Borrower                                  | \$0                | \$0                | NO                                                                     |
| Seller Credits                                      | \$0                | – \$2,500.00       | YES • See Seller Credits in <b>Section L</b>                           |
| Adjustments and Other Credits                       | \$0                | – \$1,035.04       | YES • See details in <b>Sections K and L</b>                           |
| <b>Cash to Close</b>                                | <b>\$16,054.00</b> | <b>\$14,147.26</b> |                                                                        |

### Summaries of Transactions

Use this table to see a summary of your transaction.

#### BORROWER'S TRANSACTION

#### SELLER'S TRANSACTION

### Additional Information About This Loan

#### Loan Disclosures

##### Assumption

If you sell or transfer this property to another person, your lender

☐ will allow, under certain conditions, this person to assume this loan on the original terms.

☒ will not allow assumption of this loan on the original terms.

##### Demand Feature

Your loan

☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.

☒ does not have a demand feature.

##### Late Payment

If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment.

##### Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☒ do not have a negative amortization feature.

##### Partial Payments

Your lender

☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.

☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.

☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

##### Security Interest

You are granting a security interest in  
456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

##### Escrow Account

For now, your loan

☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

| Escrow                                  |            |                                                                                                                                                    |
|-----------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Escrowed Property Costs over Year 1     | \$2,473.56 | Estimated total amount over year 1 for your escrowed property costs:<br>Homeowner's Insurance<br>Property Taxes                                    |
| Non-Escrowed Property Costs over Year 1 | \$1,800.00 | Estimated total amount over year 1 for your non-escrowed property costs:<br>Homeowner's Association Dues<br><br>You may have other property costs. |
| Initial Escrow Payment                  | \$412.25   | A cushion for the escrow account you pay at closing. See Section G on page 2.                                                                      |
| Monthly Escrow Payment                  | \$206.13   | The amount included in your total monthly payment.                                                                                                 |

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

| No Escrow                            |  |                                                                                                                      |
|--------------------------------------|--|----------------------------------------------------------------------------------------------------------------------|
| Estimated Property Costs over Year 1 |  | Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year. |
| Escrow Waiver Fee                    |  |                                                                                                                      |

##### In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

# What is your Closing Disclosure?

| Loan Calculations                                                                                                                                     |              | Other Disclosures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| <b>Total of Payments.</b> Total you will have paid after you make all payments of principal interest, mortgage insurance and loan costs as scheduled. | \$285,803.36 | <b>Appraisal</b><br>If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.                                                                                                                                                                                                                                                                                                                            |  |  |  |
| <b>Finance Charge.</b> The dollar amount the loan will cost you.                                                                                      | \$118,830.27 | <b>Contract Details</b><br>See your note and security instrument for information about: <ul style="list-style-type: none"><li>• what happens if you fail to make your payments,</li><li>• what is a default on the loan,</li><li>• situations in which your lender can require early repayment of the loan, and</li><li>• the rules for making payments before they are due.</li></ul>                                                                                                                                                                                                    |  |  |  |
| <b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.                                                           | \$162,000.00 | <b>Liability after Foreclosure</b><br>If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,<br><input checked="" type="checkbox"/> state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.<br><input type="checkbox"/> state law does not protect you from liability for the unpaid balance. |  |  |  |
| <b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.                               | 4.174%       | <b>Refinance</b><br>Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.                                                                                                                                                                                                                                                                                                                                                                                                          |  |  |  |
| <b>Total Interest Percentage (TIP).</b> The total amount of interest that you will pay over the loan term as a percentage of your loan amount         | 69.46%       | <b>Tax Deductions</b><br>If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.                                                                                                                                                                                                                                                                                                                                 |  |  |  |

**Questions?** If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at [www.consumerfinance.gov/mortgage-closing](http://www.consumerfinance.gov/mortgage-closing)

| Contact Information          |                                     |                 |                                   |                                    |                                    |
|------------------------------|-------------------------------------|-----------------|-----------------------------------|------------------------------------|------------------------------------|
|                              | Lender                              | Mortgage Broker | Real Estate Broker (B)            | Real Estate Broker (S)             | Settlement Agent                   |
| <b>Name</b>                  | Ficus Bank                          |                 | Omega Real Estate Broker Inc.     | Alpha Real Estate Broker Co.       | Epsilon Title Co.                  |
| <b>Address</b>               | 4321 Random Blvd. Somcity, ST 12340 |                 | 789 Local Lane Sometown, ST 12345 | 987 Suburb Ct. Someplace, ST 12340 | 123 Commerce Pl. Somcity, ST 12344 |
| <b>NMLS ID</b>               |                                     |                 |                                   |                                    |                                    |
| <b>ST License ID</b>         |                                     |                 | Z765416                           | Z61456Z                            | 61616                              |
| <b>Contact</b>               | Joe Smith                           |                 | Samuel Green                      | Joseph Cain                        | Sarah Arnold                       |
| <b>Contact NMLS ID</b>       | 12345                               |                 |                                   |                                    |                                    |
| <b>Contact ST License ID</b> |                                     |                 | P16415                            | P51461P                            | T1234                              |
| <b>Email</b>                 | joesmith@ficusbank.com              |                 | sam@omegare.biz                   | oe@alphare.biz                     | sarah@epsilontitle.com             |
| <b>Phone</b>                 | 123-456-7890                        |                 | 123-555-1717                      | 321-555-7171                       | 987-555-4321                       |

**Confirm Receipt**

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.

Applicant Signature

Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE

PAGE 5 OF 5 • LOAN ID # 123456789

## ON PAGE 5 OF 5

### Finance Charge

In addition to paying back the amount you are borrowing, you pay a lot of interest over the life of the loan. This is why it is worthwhile to shop carefully for the best loan for your situation.

### Annual Percentage Rate (APR)

Your APR is your total cost of credit stated as a rate. Your APR is generally higher than your interest rate, because the APR takes into consideration all the costs of your loan, over the full term of the loan. If anything on the Closing Disclosure is not clear to you, ask your lender or settlement agent, "What does this mean?"

Visit <https://www.consumerfinance.gov/know-before-you-owe/> for more tools and education about understanding your home loan and the closing process.

Loan calculations, disclosures, and contact information for your files are on page 5 of the Closing Disclosure.

## NOW

- Now you've spent time understanding what you need to do and what you need to pay, as a new homeowner.
- Now is the time to step back and feel sure you want to proceed with the loan.

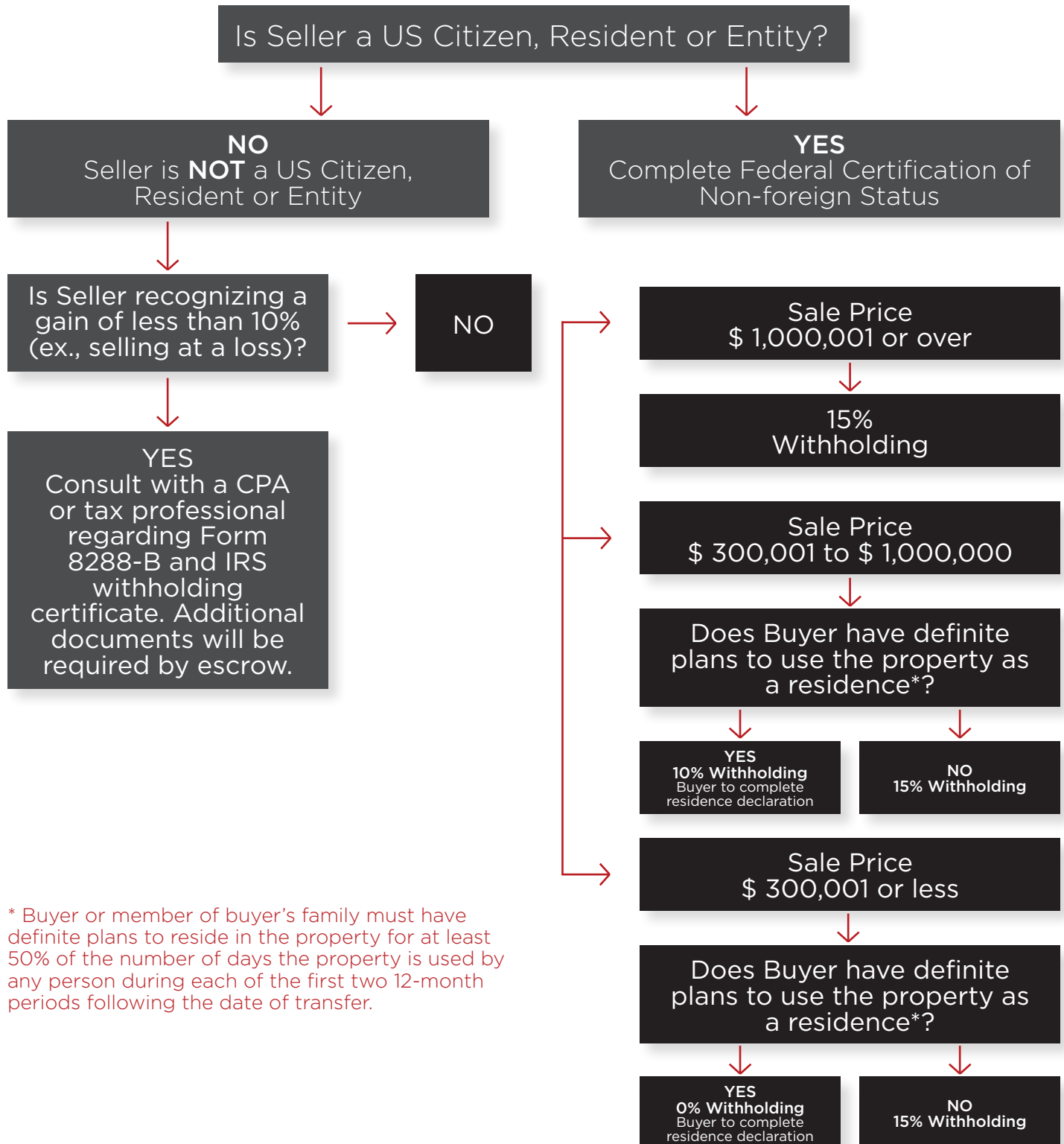
## IN THE FUTURE

- If you are not comfortable with your mortgage and your responsibility to make payments, you might not be able to keep your home.
- If you've made a careful decision about what you can afford and the mortgage you wanted, you will be able to balance owning your home and meeting your other financial goals.

\* The information in this guide has been re-purposed with permission from the Consumer Financial Protection Bureau ([www.consumerfinance.gov/owning-a-home](http://www.consumerfinance.gov/owning-a-home))

# FIRPTA: Foreign Investment in Real Property Tax Act

Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) the Internal Revenue Code (IRC) Section 1445 requires the buyer who purchases real property from a foreign seller to withhold 10% or 15% of the sales price and remit the amount along with the required documents to the IRS unless certain exceptions apply. The applicable percentage will depend upon the sales price and whether the buyer or buyer's family member intends to use the real property as a residence.



\* Buyer or member of buyer's family must have definite plans to reside in the property for at least 50% of the number of days the property is used by any person during each of the first two 12-month periods following the date of transfer.

# Foreign Investor Checklist

## CONGRATULATIONS ON YOUR DECISION TO PURCHASE REAL ESTATE IN THE UNITED STATES!

Here are some important points to consider regarding your transaction:

- Have clear objectives for purchasing real estate in the U.S.
- Make sure funds are available in the U.S. or easily transferable.
- Understand tax implications for foreign real estate investors.
- Select city/area where you want to make your purchase/investment.
- Understand the steps to purchase real estate.
- If financing will be needed from a U.S. lender, have you been qualified?
- Have you explored securing a real estate professional, attorney and/or financial advisor to guide you?
- Do you understand the importance of working with a reliable and financially sound title insurance company?

This information is presented for informational purposes only and is deemed reliable but is not guaranteed. It is not our intention to provide any legal financial or business advice. For specific information, please consult a qualified advisor.

# FIRPTA Update

## FIRPTA WITHHOLDING INCREASE TO 15%

Effective for Closing<sup>1</sup> on or after February 17, 2016<sup>2</sup>

On December 18, 2015, President Obama signed into law the “Protecting Americans from Tax Hikes Act of 2015” (the “**Act**”), which makes significant changes to the Foreign Investment in Real Property Tax Act of 1980 (“**FIRPTA**”).<sup>3</sup> The Act increases the FIRPTA withholding rate from 10% to **15%** under certain circumstances.

General highlights of changes to the FIRPTA law relating to transfer of real property by a foreign seller<sup>4</sup>:

### Sales Price over \$ 1,000,000

- If the sales price is over \$ 1,000,000, then **15%** FIRPTA Withholding applies.

### Sales Price over \$ 300,000 up to \$ 1,000,000

- If the sales price is over \$ 300,000 and does not exceed \$ 1,000,000<sup>5</sup>, and the buyer will be using the property as his or her residence, then 10% FIRPTA Withholding applies.
- If the sales price is over \$ 300,000 and does not exceed \$ 1,000,000, and the buyer will **NOT** be using the property as his or her residence, then **15%** FIRPTA Withholding applies.

### Sales Price \$ 300,000 or less

- If the sales price is \$ 300,000 or less, and the buyer will be using the property as his or her residence, then FIRPTA Withholding does **NOT** apply (0% Withholding).<sup>6</sup>
- If the sales price is \$ 300,000 or less, and the will **NOT** be using the property as his or her residence, then **15%** FIRPTA Withholding applies.

<sup>1</sup> Closing is generally the date of recordation and disbursement of funds.

<sup>2</sup> Effective date of this FIRPTA provision of the Act “shall apply to dispositions after the date which is 60 days after the date of the enactment of the Act.” The date of enactment of the Act is December 18, 2015.

<sup>3</sup> The Act includes other significant changes to FIRPTA and other tax laws which are not addressed in this material.

<sup>4</sup> Subject to any FIRPTA exemptions or exclusions under the Internal Revenue Code. “Foreign Seller” is a general reference to nonresident alien individual or foreign corporations and is not a defined term under the Internal Revenue Code.

<sup>5</sup> Sales price can be exactly \$ 1,000,000.00 but may not exceed this amount.

<sup>6</sup> This rule pertaining to \$ 300,000 or less sales price is an existing provision under Internal Revenue Code 26 USC 1445(b)(5). Under this specific provision (26 USC 1445(b)(5)), a property is “acquired for use as a residence if you or a member of your family has definite plans to reside in the property for at least 50% of the number of days the property is used by any person during each of the first two 12-month period following the date of transfer” and the buyer must be an individual.

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