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Basic Lender Forms: Loan Estimate & Closing Disclosure

Regardless of lender, applicants for a mortgage can expect two main forms outlining costs regarding their loan application. The loan estimate and closing disclosure.

Loan Estimate

Once you officially apply for a mortgage, the lender is required to provide a loan estimate which includes important details about the loan you applied for within three business days of application.

Fees associated with the loan estimate form include the interest rate, monthly payment, closing costs, tax & insurance estimates, and whether the loan has any "special features" like pre-payment penalties, negative amortization, and more.

While shopping for the right loan, it's important to talk to various lenders and compare loan estimate forms. These forms allow you to compare specific lender costs apples-to-apples and make an informed decision.

Closing Disclosure

According to consumerfinance.gov, the closing disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

In short, the form basically replaces the HUD-1 form (or settlement statement) and is intended to make the costs involved with a mortgage more transparent. Furthermore, the lender is required to give buyers the initial copy of the CD for signature at least 3 days before closing. This 3 day window allows buyers the opportunity to review, understand, and potentially fix any errors.

It's very important buyers carefully review the CD during the 3 day window, otherwise closing dates can move and builder or seller-imposed penalties can accrue.

Will the loan estimate costs and closing disclosure costs change?

Yes. The interest rate and closing costs will likely change. Most closing costs are based off an estimated closing date; which means things like your prepaid interest, prepaid taxes, and recording fees will likely change. Costs that shouldn't change are lender charges (origination fees, etc.), title insurance premiums, and transfer taxes.

Most good loan officers will stay in communication with their buyer, and upon a more concrete closing date can provide a revised loan estimate form for a more accurate representation of costs that will appear on the closing disclosure.

Who prepares the CD and how does it work with the title company?

The initial closing disclosure is sent from the lender to the buyer, 3 days before the scheduled closing date. Buyer needs to sign and acknowledge the form, or request changes.

If the fees **are not** accepted by the buyer, the lender works to correct the fees and re-submits the disclosure for buyer signature(s).

If the fees **are** accepted by buyer, the form goes back to the lender and the lender prepares closing instructions for the title company.

Title company accepts the closing instructions from the lender, prepares the closing package (including deeds, title fees, etc.), sends back to lender for final approval, and sends back to buyer for review.

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