



# KNOW BEFORE YOU OWE GLOSSARY

## **CFPB (Consumer Financial Protection Bureau):**

A governmental agency created as a result of economic downturn of 2007-2009 and the Dodd Frank Act. It was tasked with creating reform within the financial sector and enforcing laws that help to protect consumer's interests.

**Closing Disclosure (CD):** The form designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. It will replace the HUD-1 and Final TIL forms starting October 3rd.

**Escrow Breakdown:** Lists what costs are included within the monthly escrow payment.

**Good Faith Estimate (GFE):** A disclosure that estimates all fees paid before closing, all closing costs, and any escrow costs the borrower will encounter when purchasing a home. This must be supplied by the lender within three days of the borrower's application so that the borrower is able to make sound decisions when shopping for a loan.

**HUD-1 Settlement Statement:** A standard form which is used to itemize services and fees charged to the borrower by the lender when applying for a loan for the purpose of purchasing or refinancing real estate.

**"In 5 Years":** Found on the Loan Estimate, the "In 5 Years" amount is the total dollars the borrower will have paid in principal, interest, mortgage insurance, and loan costs as well as the total dollar amount of principal the borrower will have paid off.

**Know Before You Owe (also known as TRID):** Truth-in-Lending Act RESPA Integrated Disclosures: Rules that amend existing requirements for mortgage disclosures where the Initial

TIL and GFE are being replaced by the single Loan Estimate Disclosure and the Final TIL and HUD-1 are being replaced by the single Closing Disclosure form. The purpose of the rule is to simply the loan process and make it more transparent and easier to understand. The use of the new forms go into effect October 3rd, 2015.

**Loan Estimate (LE):** The form designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying. It will replace the GFE and initial TIL forms starting October 3rd.

**Real Estate Settlement Procedures Act (RESPA):** A federal law that was first passed in 1974. One of its main objectives is to help consumers become better shoppers for real estate settlement (closing) services. Another aim is to eliminate kickbacks and referral fees that add unnecessary costs to settlement services.

**Settlement Agent:** The party involved in completing a transaction between a buyer and seller. This is done through the transfer of securities to the buyer and the transfer of cash or other compensation to the seller.

**Total Interest Percentage (TIP):** The total amount of interest paid over the loan term as a percentage of the loan amount.

**Truth in Lending Act (TILA):** A federal law intended to promote the informed use of consumer credit by requiring disclosure about its terms and costs.

**Truth-in-Lending Statement (TIL):** This statement contains information regarding the annual percentage rate, the finance charge, the amount financed, and the total payments required for the loan.

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