**DISTRICT OF COLUMBIA**

**MORTGAGE DISCLOSURE FORM**
Pursuant to D.C. Code Ann. §26-1113

Borrower(s): ______________________________ Lender: ______________________________

Property Address: ______________________________ Lender Address: ______________________________

Lender Phone: ( ) ______________________

Your loan is for $ _________ , for a term of __ years. The final maturity date is _______ .

Your beginning interest rate is________ . This rate is good for ___ months/years *[circle one]*. This rate and your payment can increase, starting on______________________ *[date]*, and may continue to increase, depending on the terms of your mortgage.

Beginning on ____________________ [date] , you will be charged at the fully-indexed rate, which is your margin ( ______% ) plus an index value, which for you is ____________________ [index name] . Estimating based on the current rate of the index, which is__________ %, your monthly payment at the fully-indexed rate would be $_________________. While the index rate does vary, your mortgage provides that the fully-indexed rate will not rise above_____ % (maximum possible interest rate). At that rate, your monthly payment would be $___________ .

**YOU HAVE INDICATED THAT YOUR GROSS MONTHLY INCOME IS $ _______________ .**

**WARNING:** Industry standards suggest that a homeowner should spend **no more than 28%** of his or her gross monthly income on mortgage costs (including taxes and insurance).

$_________ /month = Your beginning interest rate + property taxes and insurance.
$________ /month = Your estimated fully-indexed rate (i.e. what you pay after the beginning rate ends) + property taxes and insurance.
$_______ /month = Your maximum possible interest rate + property taxes and insurance.
$__________/month = 28% of your current gross monthly income (the recommended limit).

Your gross monthly income may rise or fall over time, but if any of the first 3 amounts exceeds the fourth, you may want to reconsider the suitability of this loan for your needs. You may cancel this loan application within 5 business days of receiving this form.

Check if Applicable:

☐ Your mortgage carries a balloon payment. This means that on ______________ [date], you will have to fully pay the remaining balance of the loan.

☐ Your loan has a prepayment penalty. This means that if you pay off your mortgage in the first _____ years, you will have to pay a penalty of $ ____________ . If you refinance your mortgage in that period, you will be required to pay this amount.

See definitions of underlined terms on the reverse side.

**DO NOT SIGN THIS IF YOU DO NOT UNDERSTAND IT!**

______________________________ ______________________________
Lender Date Borrower Date

(DISB Revised 2/2008)

______________________________
Borrower Date

## Underlined and Other Useful Definitions

1. **Beginning interest rate:** means the interest rate the borrower pays at the beginning of the loan. In many types of loans, this rate is good for only a few years and may increase significantly.

2. **Fully indexed rate:** is an indicator of what will happen to the interest rate on the loan and the monthly payments. It is today's estimate of how high the interest rate on an adjustable rate mortgage will go. It is calculated by taking a defined index rate and adding a certain number of percentage points, called the margin. Since the index rate can go up or down, the borrower cannot be sure what the future adjustable interest rate will be. Borrowers must make sure they can afford the fully indexed interest rate and not just the initial interest rate.

3. **Maximum possible interest rate:** means the highest your interest rate can go. Most loans with adjustable rates have a defined maximum rate or lifetime cap. Borrowers need to think about how likely it may be that the interest rate can go this high.

4. **Gross monthly income:** means the borrower's gross, pre-tax income per month. Borrowers should make sure the monthly household income amount shown on the form is correct.

5. **Monthly mortgage payment including taxes and insurance:** means the amount the borrower must pay every month for interest, repayment of loan principal, home insurance premiums, and property taxes owed to the District of Columbia. Over time, in addition to any possible increases in the loan's interest rate, the insurance premiums and property taxes are likely to increase.

6. **Prepayment penalty:** means any additional fee imposed by the mortgage lender on the borrower if the borrower pays off the loan early. Borrowers must make sure they know whether their loan has a prepayment penalty fee and how it works.

7. **Balloon payment:** means that a large repayment of loan principal is due at the end of the loan. This almost always means that the borrower has to get a new loan to make the balloon payment.

8. **Payment option loan:** means a mortgage loan that allows the borrower to pay less than the interest being charged on the loan. The unpaid interest is added to the loan, so the loan amount grows larger. Borrowers must make sure they know whether their loan is a payment option loan and how it works.

9. **Points:** means the fee, expressed as a percentage of the loan, a borrower pays to the mortgage lender at closing, usually in exchange for a lower interest rate.

10. **Default:** means a borrower has failed to make the payments due on the mortgage loan. Once a borrower is in default on the loan, the mortgage lender can seek to foreclose on the property.

11. **Foreclosure:** means the legal process in which the mortgage lender can seize the borrower's property if the borrower continually fails to make the payments due on the mortgage loan.

12. **Property tax:** means the taxes owed to the District of Columbia as a result of the borrower owning the property.

13. **Insurance:** means property insurance that covers private homes and residences. It is required by mortgage loans in order to protect the mortgage lender if the home is destroyed.

14. **Monthly condominium/co-operative/homeowner association fees:** means the monthly fees that must be paid by the borrower if the borrower's property is a condominium, co-operative, or subject to a homeowner association. These fees usually are collected on a monthly basis. Failure to pay these fees can result in a lawsuit against the borrower by the condominium, co-operative, or homeowner association. As with property taxes and homeowners' insurance, these fees are likely to increase over time.