

What to look for in a closing disclosure form

How long has it been since you updated your closing disclosure form? Here is a page-by-page breakdown of what you should review, verify, understand and inform clients about



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We want to help you make more money — right now. All month, go [Back to Basics](#) with Inman as real estate pros share what's working now and how they're setting up to profit in a post-pandemic world.



When the Consumer Financial Protection Bureau (CFPB) released the new closing disclosure form [back in October 2015](#), agents across the country were hopeful the closing figures would become clearer for consumers to understand.

Whether you're a newly minted agent or a seasoned veteran, there are things you need to watch out for in the closing disclosure. We asked a group of in-the-

know escrow officers across the country what buyers and sellers should be looking for in the closing disclosure — page by page.

Page 1: Basic terms of the transaction

- **Transaction and closing information:** Confirm that dates, property address, sales price, borrowers' and sellers' names along with loan term and type are all correct.
- **Loan terms:** Validate correctness of interest rate, term, loan type (fixed or adjustable), prepayment penalty, balloon payment and mortgage insurance, if applicable.
- **Projected payments:** Review total principal and interest. Does payment include or exclude escrow deposits, mortgage insurance and any other escrowed items?
- **Property taxes and insurance:** If taxes and/or homeowner's insurance are not being escrowed, ensure the buyers understand they will be required to make these payments.
- **Cash-to-close:** This line determines if the clients need to bring money in or if they are getting money back from the transaction.

Note: This page should be compared to the most recent loan estimate provided by the lender. Further, if the cash-to-close differs from a [closing statement](#), ask the escrow officer to explain why.

Page 2: Closing cost details

- **Closing cost details:** Ensure they are appropriate and accurate.

- **Fees:** Verify they are correct and charged to the correct payee (buyer/borrower-paid versus seller-paid versus third-party paid versus paid-at-closing or paid-outside-of-closing).
- **Prorations:** Check for taxes and homeowner's association fees plus any HOA transfer fees and prepaid assessments.
- **Rent payments:** If the property is a rental, ensure that rents are prorated correctly, and deposits are accounted for and shown correctly in the closing disclosure.
- **Escrow holdbacks:** Any escrow holdbacks for repairs should be reflected in the closing disclosure.
- **Commissions:** Commissions should reflect the agreed-upon percentages along with any fees (Section H).

Note: This page breaks out all the costs for the transaction. Section H contains negotiated items from the purchase contract and addendums. This page should be compared to the most recent loan estimate provided by the lender.

Page 3: Breakdown of the payoffs

- **Cash-to-close:** Compare to Page 2 of the loan estimate.
- **Summaries of transactions:** Buyer/borrower-paid versus seller-paid versus third-party-paid at closing or paid outside of closing.

- **Cash to parties:** Verify the “from or to borrower” and “cash from or to seller” amounts are correct.
- **Section K: Additional fees due by borrower:** Review details (HOA dues/working capital/fees, property and other taxes, misc., adjustments) which may include carry-over items that appear in seller’s Section M.
- **Section K: HOA dues:** These cannot be escrowed, so make sure clients know when they are responsible for the start of payment.
- **Section M: Additional fees due to seller:** Check HOA dues/working capital/fees, property and other taxes, misc., and adjustments which may include carry-over items that appear in borrower’s Section K.
- **Section L: Paid already by or on behalf of borrower at closing:** Any credits due to borrowers not previously accounted for should appear here (loan proceeds, earnest money deposits, property and other taxes, HOA dues and fees due by seller, other misc. credits and other items due by the seller which may carry over from Section N).
- **Section L: Deposits:** Verify with the borrowers that all earnest money or other prepaid deposits are correct and accounted for.
- **Section N: Due from seller at closing:** Any debits due by sellers not previously accounted for should appear here (payoffs, closing costs, earnest money held on borrowers’ behalf, property and other taxes, HOA dues and fees owed by seller, other misc. credits and other items owed by the seller which may carry over to Section L).

Page 4: Additional information page

- **Loan disclosures:** Verify appropriate boxes are checked to correspond with Page 1 where applicable.
- **Escrow account:** Verify appropriate boxes are checked to correspond with Page 1 where applicable.
- **Adjustable payments:** Review the Adjustable Payment (AP) table and Adjustable Interest Rate (AIR) table. Verify that the information is accurate and matching Page 2 of loan estimate.

Page 5: Loan calculations and other information

- **Loan calculations:** Review with closer.
- **Other disclosures:** Be sure to confirm applicable language is understood by your buyers.
- **Contact information:** Review for accuracy.

It's important to note that the settlement agent or escrow officer should not share the closing disclosure with the real estate broker or agent unless written consent has been obtained by the buyer and/or seller.

Even though the closing disclosure form may be easier on the eyes than the old HUD-1 form, it's important for real estate professionals to [educate clients in advance](#) of closing.

Katie Mouw, division president for Stewart Title in Sioux Falls, South Dakota, recently underscored the importance of agents helping buyers understand the closing disclosure prior to closing.

As Katie shared, "By helping your clients know what to look for in their closing disclosure, you can provide the kind of value and assurance at closing that leads to great reviews and future referrals."

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