**STATE OF CALIFORNIA**

**DEPARTMENT OF CORPORATIONS**

# INSTRUCTIONAL GUIDE FOR COMPARISON OF SAMPLE MORTGAGE FEATURES:

# TYPICAL MORTGAGE TRANSACTION

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| PROPOSED LOAN AMOUNT  **$** (1)  (1) **-YEAR TERM** | **Principal and Interest**  **Fully Amortizing** | **Interest Only**  **Fully Amortizing** | **5/1 ARM**  **Fully Amortizing** | | **Interest Only**  **Fully Amortizing** | **Option Payment**  **Fully Amortizing** | **Proposed Loan**  **Type of Loan:**  **\_\_\_\_\_**(25)**\_\_\_\_\_\_**  Type of Amortization:  **\_\_\_\_\_**(26)**\_\_\_\_\_\_** | |
| **Fixed Rate**  **(\_\_\_**(2)**\_\_\_%)** | **Fixed Rate**  **(\_\_\_**(3)**\_\_\_\_%)**  **Interest Only for First 5 Years** | **Fixed Rate for First 5 Years; Adjustable Each Year After First 5 Years**  **(Initial rate for 1 to 5 is \_**(4)**\_\_%; Maximum Rate**  **is \_\_**(4)**\_\_%)** | | **Interest Only and Fixed Rate for First 5 years; Adjustable Rate Each Year After First 5 Years**  **(Initial rate for 1 to 5 is \_**(4)**\_%; Maximum Rate**  **is \_\_**(4)**\_\_%)** | **Adjustable Rate for Entire Term of the Mortgage**  **(Rate in month 1 is \_**(5)**\_\_%; Rate in month 2 through year 5 is \_\_**(5)**\_\_%; Maximum Rate is \_\_**(5)**\_\_%)** | (26) | |
| Payment Scenarios | | | | | | | | |
| Minimum Monthly Payment Years 1 – 5 except as noted | $\_\_\_(6)\_\_\_\_\* | $\_\_\_(7)\_\_\_\_ | $\_\_\_(8)\_\_\_\_ | | $\_\_\_(7)\_\_\_\_ | $\_\_\_(9)\_\_\_\_\*\*\*  (1st year only) | $\_\_\_\_(26)\_\_\_\_ | |
| Monthly Payment in Year 6 with no change in rates | $\_\_\_(6)\_\_\_\_ | $\_\_\_(10)\_\_\_\_\*\* | $\_\_\_(11)\_\_\_\_ | | $\_\_\_(12)\_\_\_\_ | $\_\_\_(13)\_\_\_\_ | $\_\_\_\_(26)\_\_\_ | |
| Monthly Payment in Year 6 with a 2% rise in rates | $\_\_\_(6)\_\_\_\_ | $\_\_\_(10)\_\_\_\_ | $\_\_\_(14)\_\_\_\_ | | $\_\_\_(15)\_\_\_\_ | $\_\_\_(16)\_\_\_\_ | $\_\_\_\_(26)\_\_ | |
| Minimum Monthly Payment | $\_\_\_(6)\_\_\_\_ | $\_\_\_(7)\_\_\_\_ | $\_\_\_(8)\_\_\_\_ | | $\_\_\_(7)\_\_\_ | $\_\_\_(9)\_\_\_\_ | $\_\_\_\_(26)\_\_\_ | |
| Your Gross Income | $\_\_\_(17)\_\_\_\_ | $\_\_\_(17)\_\_\_\_ | $\_\_\_(17)\_\_\_\_ | | $\_\_\_(17)\_\_\_\_ | $\_\_\_(17)\_\_\_\_ | $\_\_\_\_(26)\_\_\_ | |
| Difference | $\_\_\_(18)\_\_\_\_ | $\_\_\_(18)\_\_\_\_ | $\_\_\_(18)\_\_\_\_ | | $\_\_\_(18)\_\_\_\_ | $\_\_\_(18)\_\_\_\_ | $\_\_\_\_(26)\_\_\_ | |
| Maximum Monthly Payment in Year 6 with a 5% rise in rates | $\_\_\_(6)\_\_\_ | $\_\_\_(10)\_\_\_ | $\_\_\_(19)\_\_\_ | | $\_\_\_(20)\_\_\_ | $\_\_\_(21)\_\_\_ | $\_\_\_\_(26)\_\_ | |
| Your Gross Income | $\_\_\_(17)\_\_\_ | $\_\_\_(17)\_\_\_ | $\_\_\_(17)\_\_\_ | | $\_\_\_(17)\_\_\_ | $\_\_\_(17)\_\_\_ | $\_\_\_\_(26)\_\_ | |
| Difference | $\_\_\_(22)\_\_\_ | $\_\_\_(22)\_\_\_ | $\_\_\_(22)\_\_\_ | | $\_\_\_(22)\_\_\_ | $\_\_\_(22)\_\_\_ | $\_\_\_\_(26)\_\_ | |
| Loan Balance Scenarios | | | | | | | | |
| How much will be owed after 5 years | $\_\_\_(23)\_\_\_ | $\_\_\_(23)\_\_\_ | $\_\_\_\_(23)\_\_\_ | | $\_\_\_(23)\_\_\_ | $\_\_\_(23)\_\_\_ | $\_\_\_\_(26)\_\_ | |
| Has the loan balance been reduced after 5 years of payments? | Yes The loan balance was reduced by $\_\_\_(24)\_\_\_\_\_ | No The loan balance was not reduced | **Yes**  The loan balance was reduced by $\_\_\_\_(24)\_\_\_\_\_ | | **No**  The loan balance was not reduced | **No**  The loan balance **increased** by $\_\_\_(24)\_\_\_\_\_\_ | **No/Yes**  The loan balance: **did not change/increased/decreased** by  $ \_\_\_(26)\_\_\_\_\_\_ | |
| **Instructions:** | | | |  | | | |
| (1) Proposed loan amount and term. | | | | (15) P&I payment for remaining term based on original principal balance at 2% increase in interest rate. | | | |
| (2) Current interest rate for fixed rate loan. | | | | (16) P&I payment for remaining term based on increased principal balance at 2% increase in interest rate. | | | |
| (3) Current interest rate for fixed rate loan that is interest-only for first 5 years. | | | | (17) Borrower’s gross income from loan application. | | | |
| (4) Current fixed interest rate for first 5 years and maximum rate based on 5% maximum increase. | | | | (18) Subtract minimum monthly payment from gross income. | | | |
| (5) Current initial interest rate for month 1; interest rate for month 2 through year 5 based on current fully-indexed interest rate; maximum rate based on 5% maximum increase. | | | | (19) P&I payment for remaining term based on reduced principal balance at maximum interest rate. | | | |
| (6) Fixed rate loan payment (see \*). | | | | (20) P&I payment for remaining term based on original principal balance at maximum interest rate. | | | |
| (7) Interest-only payment based on fixed rate for first 5 years. | | | | (21) P&I payment for remaining term based on increased principal balance at maximum interest rate. | | | |
| (8) P&I payment based on fixed rate for first 5 years. | | | | (22) Subtract maximum monthly payment from gross income. | | | |
| (9) Minimum option payment based on month 1 rate for first year only (see \*\*\*). | | | | (23) Calculate loan balance after 5 years based on minimum monthly payments for years 1 through 5. | | | |
| (10) P&I payment for remaining term (see \*\*). | | | | (24) Calculate the amount the loan balance has increased or decreased after 5 years. | | | |
| (11) P&I payment for remaining term (same as #8). | | | | (25) Insert type of proposed loan product. | | | |
| (12) P&I payment for remaining term. | | | | (26) Insert applicable information for each scenario. | | | |
| (13) P&I payment based on increased principal balance for remaining term. | | | |  | | | |
| (14) P&I payment for remaining term based on decreased principal balance at 2% increase in interest rate. | | | |  | | | |

**\* This illustrates an interest rate and payments that are fixed for life of the loan.**

\*\* This illustrates payments that are fixed after the first five years of the loan at a higher amount because they include both principal and interest.

**\*\*\* This illustrates minimum monthly payments that are based on an interest rate that is in effect during the first month only. The payments required during the first year will not be sufficient to covered all of the interest that is due when the rate increased in the second month of the loan. Any unpaid interest amount will be added to the loan balance. Minimum payments for years 2-5 are based on the higher interest rate in effect at the time, subject to any contract limits on payment increases. Minimum payments will be recast (recalculated) after 5 years, or when the loan balance reaches a certain limit, to cover both principal and interest at the applicable rate.**

When completing this form:

* Add or delete columns on the form to reflect only loan products offered by the lender.
* Complete the last column on the right side entitled “Proposed Loan” for a nontraditional or adjustable rate loan proposed by the lender to the borrower and not disclosed in any other column of the form.
* In accordance with Title 10, California Code of Regulations, Sections 1436 and 1950.314.8, ensure this form is delivered to the borrower within 3 business days of a receipt of a completed application for a nontraditional loan or an adjustable rate loan, or before the borrower becomes obligated on the note, whichever is earlier.