

How to Read a Mortgage Closing Disclosure (CD) and Loan Estimate (LE) Differences

How to Read a Mortgage Closing Disclosure (CD)

A Comprehensive Guide by The Housing Assistant



Introduction

The Closing Disclosure (CD) is a federally required document that discloses the final loan terms and settlement costs to the borrower. It must match (within allowable tolerances) the earlier Loan Estimate (LE) provided during the loan process. Mortgage operations staff must review the CD carefully to ensure accuracy, compliance, and borrower understanding.

Key Sections of the Closing Disclosure (CD)

Page	What to Review
Page 1: Loan Terms & Projected Payments	Verify loan amount, interest rate, monthly P&I payment, escrow details, and if the terms are fixed or adjustable.
Page 2: Closing Costs Details	Confirm origination charges, appraisal fees, credit report fees, title charges, recording fees, prepaid items, and cash-to-close.
Page 3: Calculating Cash to Close	Verify cash needed at closing and compare to LE. Review final cash-to-close calculations.
Page 4: Loan Disclosures	Confirm escrow account setup, late payment terms, refinance options, and servicing information.
Page 5: Loan Calculations and Contact Information	Review TIP, total payments, APR, and verify contact info for lender/title agent.

The Difference Between the LE and the CD

Category	Loan Estimate (LE) vs Closing Disclosure (CD)
Purpose	LE provides an estimate of costs; CD provides final, actual costs.
Timing	LE is given within 3 days after application; CD must be given at least 3 business days before closing.

Allowed Tolerances	LE sets estimates with allowable variances; CD shows final costs and requires cures for violations.
Regulatory Form	Both are required by TRID rules.

Common Red Flags to Watch for on a CD

- Loan amount or interest rate changed without a Change of Circumstance (COC).
- Closing costs exceeding allowable tolerance thresholds.
- Cash-to-close amounts not matching internal worksheets.
- Errors in borrower or seller names.
- Incorrect prorated taxes, insurance, or recording fees.
- Errors in escrow setup or shortages.
- Incorrect loan type listed.
- Wrong property address, vesting, or closing date.

When to Escalate Issues

- Fee increases without documented COC.
- Borrower disputes final closing costs.
- Third-party service fees incorrect.
- Missing borrower signatures or incorrect names.
- Discrepancies between LE and CD without re-disclosure.

Best Practices for Reviewing a CD

- ✓ Cross-check all figures against Settlement Statement and Payoffs.
- ✓ Review LE vs CD for tolerances and discrepancies.
- ✓ Confirm escrow setup matches loan terms.
- ✓ Retain fully signed Final CD in the closing package.
- ✓ Ensure borrower receives the Final CD at least 3 business days prior to closing.

THA Tip:

- ◆ Always treat the Closing Disclosure as your final compliance checkpoint. Fix any errors before the borrower signs!