

GFE, HUD-1 and RESPA Changes



Agenda

- Review new RESPA policies
- Review new GFE form
- Review new HUD-1 Settlement Statement
- Discuss Doc Prep challenges of new rules
- Answering your Questions

Why RESPA Reform?

Complaints to HUD led to RESPA reform with three broad objectives:

- Disclosure
- Transparency
- Comparison shopping
- Originally enacted in 1974, RESPA has undergone a number of reforms and there have been even more calls for reform that have gone unanswered, until now...

Effects

- These new rules will change the way the entire mortgage industry does business
- The new rules create new requirements and responsibilities and industry participants must be adequately trained
- Aggressive enforcement and litigation risks may make doing business even more onerous
 - You CANNOT afford to be unprepared

Changes Implemented January 1, 2010

- New definition of an application
- Alignment of up front fee collections with MDIA and Regulation Z (TILA Disclosure)
- New Good Faith Estimate (GFE) form
- Constraints on fee changes
- Written list of providers to choose from
- New HUD-1 Settlement Statement

New Definition of Application

- If you have collected six key pieces of information you have taken an application:
 - Borrower's Name
 - Borrower's Date of Birth
 - Subject Property Address
 - Borrower's Gross Monthly income
 - Borrower's Social Security Number
 - Estimated value of property
- Lender may require other information
- Application triggers GFE
 - Must be disclosed within three business days

MDIA Up Front Fees

- According to new Mortgage Disclosure Improvement Act (MDIA), no up front fees can be collected until three business days have passed since mailing the GFE to the borrower
 - With the exclusion of a reasonable fee to obtain a credit report and counseling fee

New Good Faith Estimate

- GFE is now three pages long
 - Purpose is to simplify charges for borrower
 - Easily compare loans allowing borrower to “shop around”
- Page one is the summary of loan terms and settlement charges
- Page two is adjusted origination charges and detailed settlement charges
- Page three is instructions, tradeoff table and shopping chart

Page One

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	
Originator Email	

- Identify the Transaction
- Purpose and Shopping for Your Loan
- Important Dates

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through . After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through .
3. After you lock your interest rate, you must go to settlement within days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least days before settlement.

Page One: Summary Information

- **Summary of Your Loan**
 - Addresses basics of the loan, intended to help consumers “shop”
- **Escrow Account Information**
 - Indicates whether an escrow account is included as part of the loan
- **Summary of Settlement Charges (from Page 2)**

Summary of your loan	Your initial loan amount is	\$	
	Your loan term is	years	
	Your initial interest rate is	%	
	Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$	per month
	Can your interest rate rise?	<input type="checkbox"/> No	<input type="checkbox"/> Yes, it can rise to a maximum of % The first change will be in .
	Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No	<input type="checkbox"/> Yes, it can rise to a maximum of \$
	Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No	<input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$.
	Does your loan have a prepayment penalty?	<input type="checkbox"/> No	<input type="checkbox"/> Yes, your maximum prepayment penalty is \$.
Does your loan have a balloon payment?	<input type="checkbox"/> No	<input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.	

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$.

Do we require you to have an escrow account for your loan?

No, you do not have an escrow account. You must pay these charges directly when due.

Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	Your Adjusted Origination Charges (See page 2.)	\$
B	Your Charges for All Other Settlement Services (See page 2.)	\$
A + B	Total Estimated Settlement Charges	\$

Page Two: Adjusted Origination Charges

Understanding your estimated settlement charges

Your Adjusted Origination Charges

<p>1. Our origination charge This charge is for getting this loan for you.</p>	
<p>2. Your credit or charge (points) for the specific interest rate chosen</p> <p><input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.)</p> <p><input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit reduces your settlement charges.</p> <p><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges.</p> <p>The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.</p>	
<p>A Your Adjusted Origination Charges</p>	<p>\$</p>

Your Adjusted Origination Charges

- **Block 1- Our Origination Charge**
 - Contains all lender or lender and broker origination points, processing fees, documentation fees and administrative fees.

- **Block 2 - Your Credit or Charge for the Specific Interest Rate**
 - Only one box can be checked

Your Charges for All Other Settlement Services										
<p>3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services.</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>	Service	Charge								
Service	Charge									
<p>4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.</p>										
<p>5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.</p>										
<p>6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Charge</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>	Service	Charge								
Service	Charge									
<p>7. Government recording charges These charges are for state and local fees to record your loan and title documents.</p>										
<p>8. Transfer taxes These charges are for state and local fees on mortgages and home sales.</p>										
<p>9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.</p>										
<p>10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$_____ per day for _____ days (if your settlement is _____).</p>										
<p>11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire.</p> <table border="1"> <thead> <tr> <th>Policy</th> <th>Charge</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>	Policy	Charge								
Policy	Charge									
B	Your Charges for All Other Settlement Services	\$ _____								
A + B	Total Estimated Settlement Charges	\$ _____								

• Third party settlement charges

Fee Tolerance

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> ■ Our origination charge ■ Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> ■ Your adjusted origination charges <i>(after you lock in your interest rate)</i> ■ Transfer taxes 	<ul style="list-style-type: none"> ■ Required services that we select ■ Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> ■ Owner's title insurance <i>(if you use companies we identify)</i> ■ Required services that you can shop for <i>(if you use companies we identify)</i> ■ Government recording charges 	<ul style="list-style-type: none"> ■ Required services that you can shop for <i>(if you do not use companies we identify)</i> ■ Title services and lender's title insurance <i>(if you do not use companies we identify)</i> ■ Owner's title insurance <i>(if you do not use companies we identify)</i> ■ Initial deposit for your escrow account ■ Daily interest charges ■ Homeowner's insurance

Using the
tradeoff

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- Tradeoff Table compares loan on this GFE with other types
- Shopping chart allows borrower to compare this GFE with ones from other lenders

Your initial loan amount	\$	\$	\$
Your initial interest rate ¹	%	%	%
Your initial monthly amount owed	\$	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$	\$	\$

¹ For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the
shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is
sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.

Constraints on Fee Changes

- GFE must state how long fees will be honored
- All other settlement charges must be available for 10 business days after GFE was generated
- The borrower cannot be guaranteed the fees on the GFE if they do not express an interest in continuing with the loan within 10 days
- If borrower does continue with the loan within 10 days, fees and tolerances cannot be changed
 - Unless “Changed Circumstances” occur

“Changed Circumstances” Include

- Act of God, war, disaster, or other emergency
- Info found to be inaccurate after GFE provided
 - Final underwriting approved value
 - Changes to principal limit
- New info particular to the borrower or loan that was not relied upon in providing the GFE
 - additional liens on property
- Other info acquired after providing the GFE
 - boundary disputes
 - the need for flood insurance
 - unreleased liens
 - hazardous materials abatement
- **“Changed Circumstances” warrant a change in fees and a new GFE must be disclosed within 3 business days**

New HUD-1



A. Settlement Statement (HUD-1)

OMB Approval No. 2502-0265

B. Type of Loan

1. FHA 2. RHS 3. Conv. Loan 4. File Number: 7. Loan Number: 8. Mortgage Insurance Case Number:

4. VA 5. Conv. Inv.

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "p.o.d." were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: E. Name & Address of Seller: F. Name & Address of Lender:

G. Property Location: H. Settlement Agent: I. Settlement Date:
Place of Settlement:

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. Gross Amount Due from Borrower	
200. Amounts Paid by or in Behalf of Borrower	
201. Deposit or earnest money	
202. Principal amount of new loans:	
203. Existing loans taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower	

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. Gross Amount Due to Seller	
500. Reductions in Amount Due to Seller	
501. Escrow deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loans taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	
600. Cash at Settlement from/to Seller	
601. Gross amount due to seller (line 420)	
602. Less reductions in amount due seller (line 520)	()
603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

L. Settlement Charges

M. Estate Broker Fees

of commission (line 703) as follows:

to

to

Commission paid at settlement

N. Variable in Connection with Loan

Origination charge \$ (from GFE #1)

Rate or charge (points) for the specific interest rate chosen \$ (from GFE #2)

Adjusted origination charges (from GFE #3)

Application fee to (from GFE #4)

Report to (from GFE #5)

Service to (from GFE #6)

Verification (from GFE #7)

O. Fees Required by Lender to Be Paid in Advance

Interest charges from to @ \$ /day (from GFE #10)

Life insurance premium for months to (from GFE #3)

Owner's insurance for years to (from GFE #11)

P. Fees Deposited with Lender

Deposit for your escrow account (from GFE #9)

Owner's insurance months @ \$ per month \$

Life insurance months @ \$ per month \$

Taxes months @ \$ per month \$

months @ \$ per month \$

months @ \$ per month \$

Rate Adjustment -\$

Q. Fees

Services and lender's title insurance (from GFE #4)

Agent or closing fee \$

Title insurance (from GFE #5)

Title insurance \$

Title policy limit \$

Title policy limit \$

Portion of the total title insurance premium \$

Agent's portion of the total title insurance premium \$

R. Lender Recording and Transfer Charges

Lender recording charges (from GFE #7)

Mortgage \$ Releases \$

Taxes (from GFE #8)

County tax/stamps Deed \$ Mortgage \$

Notary/stamps Deed \$ Mortgage \$

S. Additional Settlement Charges

Services that you can shop for (from GFE #6)

\$

\$

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	Good Faith Estimate	HUD-1
Charges That Cannot Increase		
Our origination charge	# 801	
Rate chosen	# 802	
	# 803	
	#1203	

10%	Good Faith Estimate	HUD-1
# 1201		
\$		
\$		
\$		
\$		
\$		
\$		
\$		
\$		
\$		
Total		
Difference between GFE and HUD-1 Charges	\$	or %

	Good Faith Estimate	HUD-1
#1001		
# 901 \$ /day		
# 903		
\$		
\$		
\$		

\$

years

%

Principal, Interest, and Mortgage Insurance

Principal

Interest

Mortgage Insurance

Can it rise? No Yes, it can rise to a maximum of %.

The first change will be on and can change again every after.

Every change date, your interest rate can increase or decrease by %.

Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than %.

Can it rise? No Yes, it can rise to a maximum of \$.

Can it rise? No Yes, the first increase can be on and the monthly amount owed can rise to \$.

The maximum it can ever rise to is \$.

No Yes, your maximum prepayment penalty is \$.

No Yes, you have a balloon payment of \$ due in years on.

Monthly payments You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself.

You have an additional monthly escrow payment of \$ that results in a total initial monthly amount owed of \$. This includes principal, interest, any mortgage insurance and any items checked below:

Property taxes Homeowner's insurance

Flood insurance

Settlement Charges and Loan Terms listed on this form, please contact your lender.

The Public Reporting Burden for this collection of information is estimated to average 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.



A. Settlement Statement (HUD-1)

B. Type of Loan			5. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Univ.			
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				
<p>C. Notes: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)*" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.</p>					
D. Name & Address of Borrower:		E. Name & Address of Seller:		F. Name & Address of Lender:	
G. Property Location:		H. Settlement Agent:		I. Settlement Date:	
		Place of Settlement:			

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
Adjustment for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. Gross Amount Due from Borrower	
200. Amounts Paid by or in Behalf of Borrower	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. Total Paid by/for Borrower	
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower	

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. Gross Amount Due to Seller	
500. Reductions in Amount Due to Seller	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	
602. Less reductions in amount due seller (line 520)	()
603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

L. Settlement Charges

700. Total Real Estate Broker Fees				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows:					
701.	\$		to		
702.	\$		to		
703.	Commission paid at settlement				
704.					
800. Items Payable in Connection with Loan					
801.	Our origination charge	\$	(from GFE #1)		
802.	Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)		
803.	Your adjusted origination charges		(from GFE #A)		
804.	Appraisal fee to		(from GFE #2)		
805.	Credit report to		(from GFE #3)		
806.	Tax service to		(from GFE #2)		
807.	Flood certification		(from GFE #3)		
808.					
900. Items Required by Lender to Be Paid in Advance					
901.	Daily interest charges from	to	@ \$ /day (from GFE #10)		
902.	Mortgage insurance premium	for	months to (from GFE #3)		
903.	Homeowner's insurance	for	years to (from GFE #11)		
904.					
1000. Reserves Deposited with Lender					
1001.	Initial deposit for your escrow account		(from GFE #9)		
1002.	Homeowner's insurance	months @ \$	per month \$		
1003.	Mortgage insurance	months @ \$	per month \$		
1004.	Property taxes	months @ \$	per month \$		
1005.		months @ \$	per month \$		
1006.		months @ \$	per month \$		
1007.	Aggregate Adjustment		-\$		
1100. Title Charges					
1101.	Title services and lender's title insurance		(from GFE #4)		
1102.	Settlement or closing fee	\$			
1103.	Owner's title insurance		(from GFE #5)		
1104.	Lender's title insurance	\$			
1105.	Lender's title policy limit	\$			
1106.	Owner's title policy limit	\$			
1107.	Agent's portion of the total title insurance premium	\$			
1108.	Underwriter's portion of the total title insurance premium	\$			
1200. Government Recording and Transfer Charges					
1201.	Government recording charges		(from GFE #7)		
1202.	Deed \$	Mortgage \$	Releases \$		
1203.	Transfer taxes (from GFE #8)				
1204.	City/County tax/stamps	Deed \$	Mortgage \$		
1205.	State tax/stamps	Deed \$	Mortgage \$		
1206.					
1300. Additional Settlement Charges					
1301.	Required services that you can shop for		(from GFE #6)		
1302.		\$			
1303.		\$			
1304.					
1305.					
1400.	Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				

Doc Prep Programming

- The aggregation concept and its impact on doc prep interface programming
- Lump sum categories (lines 801, 1101, 1301)
- Moveable fees (e.g., survey) that can appear in different categories depending on who requires the service

New Companion Documents

- The “initial fees worksheet”
 - Contains additional information not included in the new GFE (e.g., cash to close)
 - Remarkably similar to the old GFE
- Permitted, but worksheets are not a substitute for a GFE and should not be confused with one

New Companion Documents

- The “disbursements page”
 - Contains detail not shown on new HUD-1 (e.g., doc prep fee)
 - Allows settlement agent to know breakdown of aggregated fees for disbursement purposes
- An addendum to the HUD-1 or a part of the closing instructions?

Disclosing No-Cost Loans

- If “no-cost” covers third party fees and origination charges, then fees should still be itemized in the borrower’s column
- Fees are then offset by a credit in the 800’s section; line 802 credit would exceed 801, resulting in a negative amount in line 803
- If “no-cost” only covers origination charges, then 802 will offset 801, and the net origination charge on line 803 will be zero

Thank You!

Let's Answer Your Questions...