

GFE, HUD-1 and RESPA Changes



Agenda

- Review new RESPA policies
- Review new GFE form
- Review new HUD-1 Settlement Statement
- 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- Originally enacted in 1974, RESPA has undergone a number of reforms and there have been even more calls for reform that have gone unanswered, until now...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
Originator Address
Originator Phone Number
Originator Email

Borrower
Property Address
Date of GFE

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 will be locked for a period of days. After this time, the interest rate can change until you lock your interest rate.
 - Identify the Transaction
 - Purpose and Shopping for Your Loan
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.

Name of Originator
Originator Address
Originator Phone Number
Originator Email

Borrower
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Date of GFE

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.

Important Dates Section

- Interest rate and other settlement charge dates are independent of each other
- Completed by Loan Originator;
- Discloses time period for interest rate, rate-related charges (if the rate is locked) and settlement charges (at least 10 business days) to be available;
- HUD does not require a specific time period.
- Other Settlement charges become binding when the borrower "expresses and intent to continue."

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

All other Settlement Service Charges

- Required Services Selected by Lender

- Title Services

- Charges to be included in Title Services:
 - Lender’s title insurance premium
 - Delivery fees
 - Notary fees
 - Settlement fees
 - Title commitment fees

- Owners Title Insurance

- Not applicable for non-purchase money transactions.

- Required Services the Borrower MAY shop for

- If the loan originator permits the borrower to shop, the loan originator MUST:
 - Disclose each service;
 - Estimate charge for such service; and
 - Total of the estimated charges.
- The loan originator MUST also provide a list of settlement service providers for this category and for title services, to which a tolerance of 10% will apply.
- RESPA § 8 issues to consider
- Affiliated Business Arrangement Disclosures

Your Charges for All Other Settlement Services		
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.		
<i>Service</i>	<i>Charge</i>	
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.		
5. Owner’s title insurance You may purchase an owner’s title insurance policy to protect your interest in the property.		
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.		
<i>Service</i>	<i>Charge</i>	
7. Government recording charges These charges are for state and local fees to record your loan and title documents.		
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.		
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 _____.		
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 _____).		
11. Homeowner’s insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire.		
<i>Policy</i>	<i>Charge</i>	
B	Your Charges for All Other Settlement Services	\$
A + B	Total Estimated 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 table

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

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$	\$	\$
Your initial interest rate'	%	%	%
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	\$	\$	\$

Using
should

Tradeoff Table

- **Comparison of the loan disclosed on the GFE with other loans:**
 - Higher interest rate/lower settlement service charges; and
 - Lower interest rate/higher settlement service charges.
- **Not required to input additional loans, but form language instructs the borrower to ask for the information if not displayed.**

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.

Using the tradeoff table

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

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$	\$	\$
Your initial interest rate'	%	%	%

Shopping Chart

- For completion by the borrower as a loan comparison tool
- Loan originator required to input NOTHING

Includes a disclosure statement about “If your loan is sold in the future.”

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**

Documenting Changed Circumstance

What can change?

- Only those fees impacted by the changed circumstance
- If the interest rate changes due to a changed circumstance, or a borrower requested change, only the interest rate dependant charges and terms may change. This includes only those charges or credits in Block 2 which will, in turn, impact the “Adjusted Origination Charges,” or Block 10.
- If the interest rate changes due to going from a float to a lock, only the interest rate dependant charges and terms may change (Block 2 and the impacted, “Adjusted Origination Charges,” as well as Block 10).
- Block 1 fees generally do not change, even with a changed circumstance.
 - Exception: If the loan amount changes and a portion of the “Origination Charge” is a percentage of the loan amount or the overall loan program changes , Block 1 could change.

Let's Take the Mystery out of the HUD-1

Description	HUD Line	GFE Line
Origination charge	801	#1
Credit charge	802	#2
Adjusted origination charge	803	A
Transfer Taxes	1203	8
Government Recording charges	1201	7
Required Services Selected by Lender, such as Appraisal Management, Credit report, Mortgage Insurance	800 series and 902	3
Title Services and Lender's Title Insurance	1101	4
Owner's Title Insurance Policy	1103	5
Required Services the Borrower may select, such as survey and inspections	1301	6

HUD-1/1A Page Two

- **Designed to compare with GFE**
- **Lists whether it is a borrower-paid or seller-paid charge in separate columns**
- **To promote comparability between the GFE and HUD-1, if the seller or a third party pays for a charge listed on the GFE:**
 - **that item must be listed in the borrower-paid column on the HUD-1;**
 - **then it must be offset by listing a credit to the borrower on page 1 of the HUD-1 (lines 204 – 209); and**
 - **The charge, if paid by the seller, must be included as a seller charge on Page 1 of the HUD-1 (lines 506 - 509).**
- **If an item is paid outside of closing (P.O.C.), the settlement agent must identify the paying party**

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.	

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.	

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	
Charges That Cannot Increase	HUD-1 Line Number
Our origination charge	# 801
Your credit or charge (points) for the specific interest rate chosen	# 802
Your adjusted origination charges	# 803
Transfer taxes	#1203

New Page

Good Faith Estimate	HUD-1

Charges That in Total Cannot Increase More Than 10%	
Government recording charges	# 1201
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#

Good Faith Estimate	HUD-1

Total
Increase between GFE and HUD-1 Charges

\$	or
	%

Charges That Can Change	
Initial deposit for your escrow account	#1001
Daily interest charges	# 901 \$ /day
Homeowner's insurance	# 903
<input type="text"/>	#
<input type="text"/>	#
<input type="text"/>	#

Good Faith Estimate	HUD-1

Effective Date

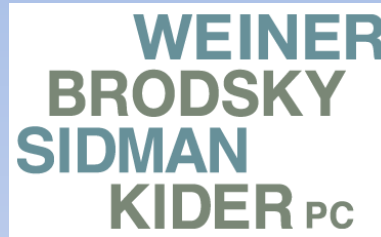
- January 1, 2010
- New GFE and new HUD-1/1A can be used before January 1, 2010
- If new GFE is used, new HUD-1/1A must be used
- Old HUD-1/1A can be used after January 1, 2010 for loans where an old GFE was given prior to January 1, 2010.

Thank You!

Let's Answer Your Questions...

Contact Us...

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