



Attention REALTORS[®], Lenders & Mortgage Brokers!

The Department of Housing and Urban Development (HUD) released its final rule on RESPA Reform (Real Estate Settlement Procedures Act) on November 17, 2008. The following changes to the HUD-1 and GFE will be effective January 1, 2010. For a copy of the new HUD-1 or GFE, call Southern Title today.

Good Faith Estimate

The new 3-page GFE requires mortgage lenders and mortgage brokers to provide consumers with the form within 3 days of receiving an application.

It includes a summary of the **key terms of the loan** and an estimate of **total settlement charges**.

Key loan terms include:

initial loan amount; the loan term; initial interest rate; mortgage amount owed for principal, interest and any mortgage insurance; whether the interest rate, the loan balance and monthly payments may rise; and whether the loan has a prepayment penalty and balloon payment.

Estimate of total settlement charges includes:

origination charge (which will include any lender processing and underwriting fees); a credit or charge (points) for the interest rate chosen; required services selected by the lender, such as appraisal and flood certification fee; title insurance fees and the cost of lender's title insurance; owner's title insurance; government recording fees; transfer tax charges; initial deposits for escrow; daily interest charges; and the cost of homeowner's insurance

Also, the final rule requires a mortgage lender or broker to keep the GFE's stated settlement costs open for 10 business days to allow the consumer to comparison shop. Plus, page 3 allows the lender or broker to provide 2 different loan options in a chart format, and it includes a "shopping chart" for the consumer to use to compare other offers.

Tolerances

HUD created 3 separate categories of settlement charges and subjects them to different tolerances.

Zero tolerance fees include:

lender or broker's own origination charge; the credit or charge for interest rate chosen, and transfer tax charges.

10% tolerance fees (the sum of the fees in this category may not exceed 10% at closing):

lender-required and selected settlement services (i.e. appraisal and tax search fees); lender-required services where borrower selects a third party provider recommended by lender (i.e. title and closing services, lender's and owner's title insurance); and government recording charges.

No restriction fees (no limit on amount of increase):

lender-required services where the borrower shops and selects his or her own third party provider (i.e. title and closing services, owner's and lender's title insurance); initial escrow deposits; daily interest charges; and the cost of homeowner's insurance.

Yield Spread Premium (YSP): If paid to mortgage broker by lender, mortgage broker is required to disclose the premium as a "credit of \$___ for this interest rate of ___%" and subtract it from "our origination charge" to arrive at "adjusted origination charge."

GFE Fees: limited to the cost of a credit report

FHA Origination Fees: FHA-approved mortgagees may collect any fee to compensate for expenses incurred in originating and closing the loan (a reverse from current regulations which limit it to 1% of loan amount).

New HUD -1 Settlement Statement changes:

- 3 pages
- Page 1 - nearly identical to current HUD-1
- Page 2 - makes it easier for consumers to compare fees on GFE to fees at closing
- Page 3 - details the tolerances and the loan terms



Call 866.297.5535 or visit www.stitle.com for more information.