



# RESPA REFORM

## The new GFE and HUD-1

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# RESPA Reform Overview

## Intent...

- Help buyers avoid surprises at closing
- Provide clarification of loan terms

## Solution...

- Change the GFE from one page to three 😊.
- A Christmas Wish

# RESPA Reform Requirements

- Applies to all lenders, mortgage brokers and settlement agents
- All lenders/brokers will use the same standardized Good Faith Estimate
- All settlement will use the new HUD-1 Settlement Statement
- HUD-1 will be matched to GFE at closing
- Mandatory by January 1, 2010

# Good Faith Estimate Overview

- 3 pages
- Lenders are bound to the fees disclosed
- Will not be issued without a formal loan application
- Will no longer be used for pre-qualifications
- Will no longer be used in place of a Buyer Net Sheet


# Good Faith Estimate Overview

- Lender fees are not itemized
- Charges typically paid by the seller must be listed as buyer charges (title insurance, real estate settlement)
- Three fee categories
  - Charges that CAN'T increase at closing
  - Charges that can't increase by more than 10%
  - Charges that can change

# GFE Page One

- Key loan information
- Escrow information
- Total estimated settlement charges

OMB Approval No. 2502-0265



## Good Faith Estimate (GFE)

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	
Originator Email	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/info](http://www.hud.gov/info). 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**

- 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.
- This estimate for all other settlement charges is available through [ ] .
- After you lock your interest rate, you must go to settlement within [ ] days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least [ ] days before settlement.

**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**

<b>A</b>	Your Adjusted Origination Charges (See page 2.)	\$ [ ]
<b>B</b>	Your Charges for All Other Settlement Services (See page 2.)	\$ [ ]
<b>A + B</b>	<b>Total Estimated Settlement Charges</b>	\$ [ ]

GFE pt (eff. Jan 2010) - 1/12/09 - Enccompass360™
Good Faith Estimate (HUD-GFE) 1

# GFE Page Two

- Settlement outlined in 11 sections

Understanding your estimated settlement charges

Some of these charges can change at settlement. See the top of page 3 for more information.

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

# Adjusted Origination Charges (GFE p. 2)

## Your Adjusted Origination Charges

<p>1. Our origination charge This charge is for getting this loan for you.</p>	<p><b>Total Lender Fees</b></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 <b>reduces</b> 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) <b>increases</b> 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><b>Credit or Cost for Discount Points</b></p>
<p><b>A</b> Your Adjusted Origination Charges</p>	<p>\$ <b>Net Charges</b></p>

Information is accurate as of the date of publication and is subject to change without notice.

# Retail Loan Example (Zero Points)

## Your Adjusted Origination Charges

<p>1. Our origination charge This charge is for getting this loan for you.</p>	<p><b>\$1800</b></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 <b>reduces</b> 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) <b>increases</b> 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><b>A</b> Your Adjusted Origination Charges</p>	<p>\$ <b>1800</b></p>

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# Broker Loan Example (Zero Points)

## Your Adjusted Origination Charges

<p>1. Our origination charge This charge is for getting this loan for you.</p>	<p><b>\$3800</b></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 checked="" type="checkbox"/> You receive a credit of \$ <b>\$2000</b> for this interest rate of <input type="text"/> %. This credit <b>reduces</b> 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) <b>increases</b> 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><b>(\$2000)</b></p>
<p><b>A</b> Your Adjusted Origination Charges</p>	<p>\$ <b>1800</b></p>

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# Other Settlement Charges (GFE p. 2)

### 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.

*Service*

*Charge*

<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.

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# GFE Page Three

- Information on how which fees can change at closing and by how much
- Optional comparison against "Lower Rate, Higher Fee" loan or "Higher Rate, Lower Fee" loan
- Shopping chart to help compare GFE's between different lenders

## 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 40% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> <li>Our origination charge</li> <li>Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate)</li> <li>Your adjusted origination charges (after you lock in your interest rate)</li> <li>Transfer taxes</li> </ul>	<ul style="list-style-type: none"> <li>Required services that we select</li> <li>Title services and lender's title insurance (if we select them or you use companies we identify)</li> <li>Owner's title insurance (if you use companies we identify)</li> <li>Required services that you can shop for (if you use companies we identify)</li> <li>Government recording charges</li> </ul>	<ul style="list-style-type: none"> <li>Required services that you can shop for (if you do not use companies we identify)</li> <li>Title services and lender's title insurance (if you do not use companies we identify)</li> <li>Owner's title insurance (if you do not use companies we identify)</li> <li>Initial deposit for your escrow account</li> <li>Daily interest charges</li> <li>Homeowner's insurance</li> </ul>

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 the 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 <sup>1</sup>	%	%	%
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	\$	\$	\$

<sup>1</sup> 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?				
<b>Total Estimated Settlement Charges</b>				

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.

# Tradeoff Table (GFE p. 3)

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

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

- Completion of columns 2 and 3 are optional

# Tradeoff Table (GFE p. 3)

	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?				
<b>Total Estimated Settlement Charges</b>				

- "Shopping Chart" is for Buyer's use

**WARNING!!**



# WARNING!!

- GFE DOES NOT show down payment
- GFE DOES NOT show total cash due at closing
- Settlement charges will nearly always be higher than buyer's actual cost

# HUD-1 Settlement Statement Overview

- 3 pages
- Lines items re-numbered to match GFE
- Major change is page 3...comparison to GFE
- Fee tolerance violations identified on page 3



What if GFE and HUD-1 fees don't match?

**If final fees are out of tolerance...**

- A. Settlement charges reduced, or
- B. A lender credit applied, or
- C. A valid Changed Circumstance provided and a revised GFE issued (*Note: this may delay the close/sign date*).

# Summary

- RESPA reform should not impact your business
- But...this is a major change in procedure and software for lenders and settlement agents and “issues” are inevitable
- Steps added prior to underwriting and closing which could influence the closing time
- Loans issued on the old GFE prior to Jan 1 DO NOT require the new HUD-1