

New GFE/HUD-1 You Really Need to Know This Stuff

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Background

1. RESPA reform has been going on since 1992
2. It is **never without controversy**, as proposed changes typically pit settlement service providers against each other
3. This was certainly the case in 2002 when HUD introduced a proposed rule calling for a guaranteed mortgage package
4. In 2004, settlement service industry led the movement to have the rule withdrawn

Background (cont'd)

5. In 2005, HUD conducted a series of roundtable discussions with industry representatives, trade associations, and consumer groups
6. Two and a half years later, HUD published its proposed RESPA rule on March 14, 2008 - HUD received approximately 12,000 public comments in response to the proposed rule
7. HUD's timing for a new rule could not have been worse
8. But, HUD determined to get rule out before end of Bush Administration

Main Components

1. New Good Faith Estimate
2. Controversial YSP Disclosure
3. Tolerance Limitations
4. New HUD-1 Settlement Statement
5. Average Charges

Good Faith Estimate – Final Rule

1. Centerpiece of RESPA reform
2. Goal was greater clarity and transparency
3. Only HUD could simplify process by taking one page GFE and turning it into three pages

Good Faith Estimate – Particulars

1. Borrower not required to provide data to verify information before GFE issued
2. Quote good for **10 business days**, unless “Changed Circumstances”

FAQs provide some examples of “changed circumstances”

3. Cost of GFE limited to price of credit report

Good Faith Estimate – Page 1

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

Name of Originator	ABC Mortgage Broker	Borrower	John Doe
Originator Address	123 Maple Ave. Washington, DC 20006	Property Address	123 Main St. Arlington, VA 22201
Originator Phone Number	(202) 555-5555	Date of GFE	September 22, 2009
Originator Email	loan@abcmb.com		

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.

Good Faith Estimate – Page 1

Summary of your loan

Your initial loan amount is	\$ 295,000.00	
Your loan term is	30 years	
Your initial interest rate is	5.0 %	
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$1,725.00 per month	
Can your interest rate rise?	<input checked="" 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 checked="" 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 checked="" 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 checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$1,318.00 .
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes, you have a balloon payment of \$ due in years.

Good Faith Estimate – Page 1

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)	\$ 1,500.00
B	Your Charges for All Other Settlement Services (See page 2)	\$ 9,685.00
A + B	Total Estimated Settlement Charges	\$11,185.00

Good Faith Estimate (HUD-GFE) 1

Good Faith Estimate – Yield Spread Premiums

1. What are YSPs?
2. Mortgage **Brokers** must disclose YSP
3. Mortgage **Bankers** do not disclose
4. Why
 - Secondary market exception
 - Brokers scream = not level playing field

Good Faith Estimate – Hypotheticals

Par interest rate = 6%

Total origination fee = \$1,500

3 Possibilities

- i. loan closes at par rate
\$1,500 origination fee
- ii. loan closes at 6.5% interest rate
\$1,500 origination fee to lender
\$2,000 YSP to mortgage broker
- iii. loan closes below par at 5.5% rate
borrower charged \$2,000 in discount points

Good Faith Estimate – Page 2

Understanding
your estimated
settlement charges

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	1,500
2. Your credit or charge (points) for the specific interest rate chosen <input checked="" type="checkbox"/> The credit or charge for the interest rate of <input type="text" value="6"/> % is included in "Our origination charge." (See item 1 above.) <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. <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. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	0
A Your Adjusted Origination Charges	\$ 1,500

Good Faith Estimate – Page 2

Understanding
your estimated
settlement charges

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	3,500
2. Your credit or charge (points) for the specific interest rate chosen <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.) <input checked="" type="checkbox"/> You receive a credit of \$ <input type="text" value="2,000"/> for this interest rate of <input type="text" value="6.5"/> %. This credit reduces your settlement charges. <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. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-2,000
A Your Adjusted Origination Charges	\$ 1,500

Good Faith Estimate – Page 2

Understanding
your estimated
settlement charges

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	1,500
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 [] %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ 2,000 for this interest rate of 5.5 %. 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.	2,000
A Your Adjusted Origination Charges	\$ 3,500

Good Faith Estimate – Litigation

A. December 19, 2008 NAMB sues HUD

1. Seek permanent injunction
2. Claim rule is
 - arbitrary and capricious
 - violates APA
 - unlevel playing field = lower fees

B. July 2009

1. Court denies NAMB request for injunction

Good Faith Estimate – Page 2

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

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.		\$5,326.00
<i>Service</i>	<i>Charge</i>	
Appraisal/Credit Report	\$220 / \$40	
Tax Service/Flood Certification	\$54 / \$12	
Upfront Mortgage Insurance Premium	\$5,000.00	
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.		\$1,000.00
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.		\$725.00
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.		\$295.00
<i>Service</i>	<i>Charge</i>	
Survey	\$250	
Pest Inspection	\$45	
7. Government recording charges These charges are for state and local fees to record your loan and title documents.		\$50.00
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.		\$1,200.00

Good Faith Estimate – Page 2

<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 checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.</p>	\$400.00				
<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 \$ <input type="text" value="\$39.00"/> per day for <input type="text" value="1"/> days (if your settlement is <input type="text" value="10/31/09"/>).</p>	\$39.00				
<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" data-bbox="653 906 1499 1008"> <thead> <tr> <th style="text-align: left;"><i>Policy</i></th> <th style="text-align: right;"><i>Charge</i></th> </tr> </thead> <tbody> <tr> <td>ABC Insurance</td> <td style="text-align: right;">\$650</td> </tr> </tbody> </table>	<i>Policy</i>	<i>Charge</i>	ABC Insurance	\$650	\$650.00
<i>Policy</i>	<i>Charge</i>				
ABC Insurance	\$650				
<p>B Your Charges for All Other Settlement Services</p>	\$ 9,685.00				
<p>A + B Total Estimated Settlement Charges</p>	\$ 11,185.00				



Good Faith Estimate – Page 3

TOLERANCES

1. Epicenter of the Rule
2. Way HUD holds lenders' feet to fire
3. Guts of the whole shindig
 - accuracy
 - clarity
 - encourage shopping

Good Faith Estimate – Page 3

TOLERANCES = 3 BUCKETS

- A. Zero Tolerance
- B. 10% Tolerance
- C. No Tolerance

Good Faith Estimate – Page 3

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

Good Faith Estimate – Page 3

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	\$ 295,000.00	\$	\$
Your initial interest rate ¹	5.0 %	%	%
Your initial monthly amount owed	\$ 1,725.00	\$	\$
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	\$ 11,185.00	\$	\$

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

Good Faith Estimate – Page 3

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.



Good Faith Estimate – So What?

1. What happens if lenders' prices exceed Tolerances?
2. Can they kill ya?
 - No penalties under the Act
 - 30 Day cure period contractual
 - UDTP

Good Faith Estimate - FAQs

- **Lender is bound by GFE provided to consumer by mortgage broker**
 - Q: If the mortgage broker purports to permit a borrower to lock in a rate, but the mortgage broker does not lock the rate with the lender, what tolerances apply to origination charges?
 - A: If the lender accepts the GFE issued by the mortgage broker, the lender is subject to the loan terms and settlement charges. A zero tolerance applies. Timely communication between the lender and the mortgage broker is essential to assure compliance.

Good Faith Estimate - FAQs

- **Fees to be paid on behalf of the borrower by the seller must be disclosed on the GFE**
 - Q: If at the time a GFE is issued it is known that the seller will pay settlement charges typically paid by the borrower, how are the charges disclosed on the GFE?
 - A: All charges typically paid by the borrower must be disclosed on the GFE regardless of whether the charges will be paid for by the borrower, seller, or other party.

Good Faith Estimate – FAQs (cont'd)

- Q: If a seller typically pays for the Block 5, “Owner’s title insurance,” does the charge still have to be shown on the GFE?
- A: Yes, an estimate of the cost must be shown in Block 5, “Owner’s title insurance,” for all purchase transactions regardless of who is selecting or paying for it.

Good Faith Estimate - FAQs

- **A written list of settlement service providers must be provided to the consumer**
 - Q: When do loan originators have to provide the borrower with a written list of identified providers?
 - A: When a loan originator permits a borrower to shop for third-party settlement services, the loan originator must provide the borrower with a written list of settlement service providers at the time of the GFE, on a separate sheet of paper.

Good Faith Estimate – FAQs (cont'd)

- Q: If a mortgage broker provides the GFE and the “written list” of settlement service providers and the borrower chooses to use a provider identified on the “written list” for a service, is the lender subject to tolerances for those services?
- A: Yes, if the lender permits a mortgage broker to issue the GFE and the “written list” of providers, the lender is subject to the tolerances for the services in which the borrower chooses to use the identified provider.

Good Faith Estimate - FAQs

- **Origination charges and title insurance fees are each disclosed as single, bundled charges**
 - Q: Where should fees such as the loan originator's processing fee, underwriting fee, and wire transfer fee be disclosed on the GFE?
 - A: All origination charges for lenders and mortgage brokers, including fees for administrative and processing services, are included in the charge in Block 1 of the GFE, "Our origination charge," and should not be itemized separately.

Good Faith Estimate – FAQs (cont'd)

- Q: Where should the quote for the Lender's title insurance policy premium be disclosed on the GFE?
- A: The Lender's title insurance premium is part of Block 4, "Title services and lender's title insurance," on the GFE, along with any fees for title searches, examinations, endorsements and all charges associated with the title services and settlement (closing) agent services.

HUD-1 Settlement Statement

1. Final settlement figures
2. HUD seeks simplicity but turns 2 page Settlement Statement into 3
3. All settlement service providers critical of proposed March 2008 HUD-1

HUD-1 Settlement Statement – HUD Listens

1. **Realtors rewarded** with synchronized HUD-1 that matches up with GFE
2. **Title companies thrilled** to see Closing Script withdrawn, but still have to show premium split between underwriter and agent

HUD-1 Settlement Statement – Page 1



A. Settlement Statement (HUD-1)

OMB Approval No. 2502-0265

B. Type of Loan					
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Urinal	4. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

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.a.c.)" 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: Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due from Borrower		400. Gross Amount Due to Seller	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustment for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower		420. Gross Amount Due to Seller	
200. Amounts Paid by or in Behalf of Borrower		500. Reductions in Amount Due to Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206. Seller credit for transfer taxes	1,200.00	506. Seller credit for transfer taxes	1,200.00
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid by/for Borrower		520. Total Reduction Amount Due Seller	
300. Cash at Settlement from/to Borrower		600. Cash at Settlement to/from Seller	
301. Gross amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amount due seller (line 520)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

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.

HUD-1 Settlement Statement – Page 2

L. Settlement Charges			
700. Total Real Estate Broker Fees			
Division of commission (line 700) as follows:			
701. \$ 9,000	to RE Broker #1		
702. \$ 9,000	to RE Broker #2		
703. Commission paid at settlement			16,000.00
704. Earnest money deposit held by RE Broker #2 \$2,000 P.O.C.			
800. Items Payable in Connection with Loan			
801. Our origination charge	ABC Broker/XYZ Mortgage	\$ 3,500 (from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen	\$ -2,000 (from GFE #2)		
803. Your adjusted origination charges	ABC Broker/XYZ Mortgage	(from GFE A)	\$1,500.00
804. Appraisal fee to	Appraisal America	(from GFE #3)	\$450.00
805. Credit report to	Credit Report Co.	(from GFE #3)	\$40.00
806. Tax service to	Tax Service USA	(from GFE #3)	\$76.00
807. Flood certification	Flood Certification, Inc.	(from GFE #3)	\$12.00
808.			
900. Items Required by Lender to Be Paid in Advance			
901. Daily interest charges from 10/8 to 10/31@ \$39.00/day		(from GFE #10)	\$897.00
902. Mortgage insurance premium for 12 months to	FHA	(from GFE #3)	\$5,000.00
903. Homeowner's insurance for 1 years to	ABC Insurance	(from GFE #11)	\$600.00
904.			
1000. Reserves Deposited with Lender			
1001. Initial deposit for your escrow account		(from GFE #9)	\$512.00
1002. Homeowner's insurance 1 months @ \$ 50.00 per month	\$ 50.00		
1003. Mortgage insurance 1 months @ \$130.00 per month	\$ 130.00		
1004. Property taxes 3 months @ \$166.00 per month	\$ 498.00		
1005.	months @ \$ per month	\$	
1006.	months @ \$ per month	\$	
1007. Aggregate Adjustment	-\$ 166.00		

HUD-1 Settlement Statement – Page 2

1100. Title Charges					
1101. Title services and lender's title insurance	ABC Title		(from GFE #4)	\$2,110.00	
1102. Settlement or closing fee	ABC Title	\$			\$125.00
1103. Owner's title insurance	ABC Title/Underwriter		(from GFE #5)	\$900.00	
1104. Lender's title insurance	ABC Title/Underwriter	\$	175.00		
1105. Lender's title policy limit	\$	295,000			
1106. Owner's title policy limit	\$	300,000			
1107. Agent's portion of the total title insurance premium		\$	860.00		
1108. Underwriter's portion of the total title insurance premium		\$	215.00		
1200. Government Recording and Transfer Charges					
1201. Government recording charges			(from GFE #7)	\$55.00	
1202. Deed	\$ 25.00	Mortgage	\$ 30.00	Releases	\$ 15.00
1203. Transfer taxes			(from GFE #8)	\$1,200.00	\$1,200.00
1204. City/County tax/stamps	Deed \$ 600.00	Mortgage	\$ 600.00		
1205. State tax/stamps	Deed \$ 600.00	Mortgage	\$ 600.00		
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for			(from GFE #6)	\$270.00	
1302. Survey to XYZ Survey Co.		\$	225.00		
1303. Pest Inspection to Bug-B-Gone		\$	45.00		
1304. Home Warranty to Home Warranty USA				\$300.00	
1305.					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				\$13,922.00	\$17,340.00

HUD-1 Settlement Statement – Page 3

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$3,500.00	\$3,500.00
Your credit or charge (points) for the specific interest rate chosen	# 802	\$-2,000.00	\$-2,000.00
Your adjusted origination charges	# 803	\$1,500.00	\$1,500.00
Transfer taxes	#1203	\$1,200.00	\$1,200.00

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$50.00	\$55.00
Appraisal	# 804	\$220.00	\$450.00
Credit Report	# 805	\$40.00	\$40.00
Tax Service Fee	# 806	\$54.00	\$76.00
Flood Certification	# 807	\$12.00	\$12.00
Upfront Mortgage Insurance	# 902	\$5,000.00	\$5,000.00
Title Services – Lender’s Insurance	#1101	\$1,000.00	\$2,110.00
Owner’s Title Insurance	#1103	\$725.00	\$900.00
Total		\$7,101.00	\$8,643.00
Increase between GFE and HUD-1 Charges		\$ \$1,542.00	or 21.7 %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001	\$400.00	\$512.00
Daily interest charges	# 901 \$ 39.00/day	\$39.00	\$897.00
Homeowner’s insurance	# 903	\$650.00	\$600.00
Survey	#1302	\$250.00	\$225.00
Pest Inspection	#1303	\$45.00	\$45.00
	#		

HUD-1 Settlement Statement – Page 3

Loan Terms	
Your initial loan amount is	\$ 295,000.00
Your loan term is	30 years
Your initial interest rate is	5 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,725.00 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> 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 % .
Even if you make payments on time, can your loan balance rise?	<input checked="" 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 mortgage insurance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on 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 checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 1,318.00 .
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on .
Total monthly amount owed including escrow account payments	<input type="checkbox"/> 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. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 346.00 that results in a total initial monthly amount owed of \$ 2,071.00 . This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

HUD-1 Settlement Statement - FAQs

- **If a fee is disclosed on the GFE, but the seller pays it on behalf of the borrower, the fee is still disclosed in the borrower's column on the HUD-1**
 - Q: What if at closing the seller is paying for a settlement service that was listed on the GFE, such as the Owner's title insurance policy? How is this shown on the HUD-1?
 - A: If the seller is paying for a service that was on the GFE, such as Owner's title insurance, the charge remains in the borrower's column on the HUD-1. A credit from the seller to the borrower to offset the charge should be listed on the first page of the HUD-1 in Lines 204-209 and Lines 506-509 respectively.

HUD-1 Settlement Statement - FAQs

- **Real estate commission percentages are no longer disclosed**
 - Q: Where do I put the percentage of commission to the real estate agents on the HUD-1?
 - A: The percentage used to compute the sales commission has been removed from the HUD-1 to better reflect current practices in the real estate industry. The total amount of the commission to each real estate broker or agent must be shown on Lines 701 and 702. The amount of the commissions disbursed at settlement must be shown inside the columns on Line 703.

HUD-1 Settlement Statement - FAQs

- **“Title services” fees paid to third parties must be included in the bundled fee, but also separately itemized**
 - Q: Where do I put the charge for the title commitment on the HUD-1?
 - A: The term “title services” is defined to include any service involved in the preparation and issuance of the title commitment. On the HUD-1, the charge to the borrower for title services, including the charge for services related to the title commitment, must be included in the total in the borrower’s column on Line 1101. If a third party prepares and issues the title commitment, the disbursement for this services also must be itemized outside the columns on a blank line in the 1100 series.

HUD-1 Settlement Statement - FAQs

- **Lenders must provide settlement agents with the information to complete the HUD-1, including page 3**
 - Q: How do settlement agents get the information to prepare page 3 of the HUD-1? Do they have to search through all of the loan documents to get this information?
 - A: The lender is required to transmit the information necessary to complete the HUD-1. The instructions for completing the HUD-1 state that the lender must provide information to the settlement agent in a format that permits the settlement agent to simply enter the necessary information to complete the loan terms section on page 3 of the HUD-1 without having to refer to the loan documents.

Summary – FAQs

- 3 Primary Lender Concerns:
 - Mortgage broker's GFE is binding
 - All borrower costs must be disclosed on GFE, even if paid by seller or another party
 - Lender is responsible for giving closing agent the information to complete the HUD-1

Summary – FAQs (cont'd)

- 3 Primary Title/Closing Agent Concerns:
 - Seller-paid fees disclosed on the GFE are disclosed in borrower's column on HUD-1
 - Bundled/partial itemization of title-related fees
 - New methods for disclosure of origination charges, real estate commission, and title insurance premium splits

Average Charges

1. What's that all about?
2. Settlement Service Providers getting killed by class action lawsuits
3. March 2008 rule allowed only lenders to use average charges
4. Final rule permits **all settlement service** providers opportunities to use average charges

Effective Dates

1. New GFE and HUD-1 forms go into effect
January 1, 2010
2. Average Charges went into effect
January 16, 2009

Conclusion

1. HUD did a decent job of providing more transparency and clarity to settlement process likely to encourage greater consumer shopping
2. Despite MBA and other financial institutions' attempts to get HUD or Congress to scrap the rule, HUD is committed to the January 1, 2010 effective date
3. Lots of changes – Expect the unexpected