

PENN ATTORNEYS

TITLE ALERT

DATE: 12/31/08

RE: Title Alert 2008-24 New HUD Rule—RESPA Reform Affects Title Attorneys

Please see the below Underwriting Bulletin written by Ruth A. Dillingham, Vice President & Special Counsel for First American Title Insurance Company.

On November 17, 2008, the Department of Housing and Urban Development (HUD) issued a Final Rule amending the Real Estate Settlement Procedures Act (RESPA). The Final Rule reflected HUD's response to the thousands of commenters who responded to the Proposed Rule (issued March 14, 2008) and reflects HUD's thinking on those comments.⁽¹⁾

Link to Final Rule, at 73 FR 68204 <http://edocket.access.gpo.gov/2008/pdf/E8-27070.pdf>

This Bulletin will address the Rule in the following sections:

- What has changed, and when will the changes take effect?
- What changes are of particular interest to Title Attorneys and Agents?

Following are discussions by Effective dates:

January 16, 2009

Average Charges Permitted

The Rule states that in general, all third party charges must be separately itemized and cannot exceed the amount actually paid to the service provider. HUD's position on this was originally advanced in its Statement of Policy 2001-01 regarding mark-ups and overcharges, and has been the subject of many lawsuits and legal opinions since that time. One issue of particular concern for attorneys, title agents and others performing settlements has been the potential for unintentional/inadvertent violations of the 'no markup' rule, and subsequent liability to borrowers and sellers where the amount of the third party charge was unknown at the time the settlement statement was prepared and the amount charged ultimately was shown to have exceeded the actual cost of the service.

In response to industry requests, HUD looked to address this issue in the Proposed Rule, and in recognition of the strong arguments from (among others) the American Land Title Association, the Final Rule does permit average charges to be used for settlement services with certain constraints.

First, the Rule permits any provider to use an average charge calculation to collect the amount due for a service billed by a third party provider and paid for by the borrower or seller (the Proposed Rule had limited this to mortgage lenders only.)

The average charge can be established based on:

- A geographic area
- A type of loan
- A period of time (not to exceed 6 months)

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The means of calculating the average charge is left to the provider within certain parameters:

- The average charge cannot be more than an actual average;
- The total amount charged for a service using the average charge method cannot exceed the total amount paid to for that service;
- If the average charge is used for any transaction within a class of transactions it must be used for all transactions within that class;
- The average charge must be re-calculated every 6 months;
- Documentation used to calculate the average charge must be kept for 3 years.

The services that can be billed on an average charge basis are limited however; the average charge method is not allowed to be used for:

- Origination services or title services (as they are defined in the Rule);
- Any service where the charge is based on the sales price or loan amount (transfer taxes, per diem interest;
- Any insurance charges (including mortgage and title insurance premiums).

Notwithstanding the above limitations, this provision will clearly assist settlement agents in the better understanding of how to comply with HUD's requirements.

Required Use Definition Changed as It Applies To Affiliated Businesses

Required Use: While the rule continues to prohibit a participant in an affiliated business to 'require' the use of the affiliated business, a new definition is created clarifying that both economic incentives and disincentives will apply in reviewing a situation in which a discount/cost may effectively create a required use for the consumer. Under the new Rule, a settlement service provider may offer combined services at a price lower than the sum of the individual services without triggering "required use" concerns if (1) the use is optional to the consumer and (2) the lower price is not made up by higher costs elsewhere in the transaction. HUD's intent in changing this definition is to make it clear that: "economic disincentives are as problematic as incentives that are not true discounts." The National Association of Home Builders is concerned that the change to the definition could prohibit a home builder from offering incentives in exchange for a home buyer's use of the builder's affiliated business.

Also effective on January 16, 2009 are changes to the Aggregate Escrow Accounting Rule (deleting transition language) and a revision to the Servicing Disclosure Statement form given at time of application.

January 1, 2010

All Other Parts of the New Rule

The Rule creates a new framework for disclosure to consumers of the settlement costs associated with the purchase or refinance of property which is subject to RESPA (1-4 family dwellings). This is done by the creation of a new Good Faith Estimate and Settlement Statement (HUD forms 1 and 1-A), together with new definitions and instructions for completion.

New GFE

In summary, the lender or mortgage broker (depending on their role in the transaction) must provide the new (3 page) GFE to a potential borrower within three business days of application. This new GFE must state dates and terms related to the loan (loan amount, term, rate, rate lock date, requirements for escrows, prepayment penalties, balloons, adjustments) (Page 1) and the charges for that loan (Page 2). The quoted terms and prices (except for the interest rate and charges related to the interest rate and the per diem interest) must be available for at least 10 business days after the issuance of the GFE. In addition, the quoted costs are subject to 'tolerances'. (Page 3) As with the original rule, there are three categories, zero tolerance, 10% tolerance and unlimited variance. The category of zero tolerance includes: lender charges for taking, underwriting and processing the application; the points or origination fees (yield spread premium) and the real property transfer tax. A 10% increase is permitted for the total of all charges in the second category including: lender required settlement services where the lender selects the provider, lender required settlement services where the borrower selects the provider from the lender's list, title services and title insurance, if the lender selects the provider and recording fees. Charges that can have an unlimited change include services where the borrower can chose the providers (including title and title insurance), the escrow account amounts, the per diem interest and the cost of homeowners insurance. The final page of the GFE also contains worksheet-like charts to compare different loans and terms.

New HUD-1 /1A

While the first page of the HUD settlement statement is unchanged, the second page has added information to make the form more closely align to the GFE. As the lending industry responds to the rule, more information will be coming about the items contained in the 800/900/1000 series.

This discussion will focus only on the 1100 series, "Title Charges". Both HUD's commentary and instructions for completion of the settlement statement make clear that certain costs are to be shown "in the column" (where column means the section of the form showing the dollar amounts included in the total shown at line 1400) and others are to be included "outside the column" (meaning in the lines of text). Line 1101 will now be a sum of all title charges, which the rule defines as including "a variety of services performed by title companies or others and include fees directly related to the transfer of title (title examination, title search, document preparation), fees for title insurance and fees for conducting the closing. The legal charges include fees for attorneys representing the lender, seller or borrower and any attorney preparing title work." The amount of the settlement or closing fee is disclosed at line 1102, and the amount of the lenders title insurance is disclosed at line 1104, but not "in the columns". Disbursements to third parties must still be itemized (by amount and payee) and may be included in the amount at 1101 or listed separately in the 1100 series. The cost for an owner's title insurance policy is separately listed and charged for at line 1103 ("in the column"). Lines 1105 and 1106 are used to show the limits (amount of coverage) for the loan and owners title policies. The Rule also requires disclosure in lines 1107 and 1108 of the portion of the title premium retained by the agent and the portion remitted to the underwriter (as a dollar amount). According to the ALTA Advocacy Update of November 17, 2008, "ALTA lobbied hard for but ultimately failed to win removal of a requirement that agent/underwriter premiums splits be disclosed on the HUD1/1A."

The 1200 series contains the amounts for recording fees (subject to the 10% tolerance) and the transfer tax (zero tolerance).

The 1300 series remains the section for miscellaneous fees.

There is an additional third page added to the form which mirror s some of the information originally planned for inclusion in the Closing Script (eliminated from the Final Rule). The amounts estimated on the GFE are set forth in the left column and the actual amounts charged at settlement are set forth in the right column, grouped by the allowed tolerances. The bottom of the page contains a recap of the loan terms, with a notation that "If you have any questions about the settlement charges and loan terms listed on this form, please contact your lender."

Minor? But interesting! From the instructions for completion of the new HUD-1: The Settlement Agent box on page 1 now includes telephone number of settlement agent.

Of particular note for title attorneys and agents (both from the Proposed Rule to the Final and new to the Final Rule). All quotations are from the Final Rule.

Regarding the "closing script": While it has been eliminated ("In response to comments received on the proposed rule and HUD's further review, HUD has eliminated the closing script requirement."), in its place is the new third page of the HUD which sets forth comparisons between the GFE and HUD and summarizes the final loan terms.

Where does that information come from?

"(T)he loan originator shall transmit sufficient information to the closing agent to allow the closing agent to prepare the HUD-1/1A, including the new last page."

What if there is a difference between the GFE and the final HUD?

"(T)he rule provides that an inadvertent or technical error in completing the HUD-1/1A shall not be deemed a violation of section 4 of RESPA, if a revised HUD-1/1A is provided to the borrower and/or seller within 30 calendar days of settlement. This opportunity to cure errors on the HUD-1/1A is consistent with HUD's longstanding policy permitting settlement agents to provide revised HUD-1/1A settlement statements where errors are discovered after settlement."

"(T)he final rule also provides a loan originator with an opportunity to cure any violation of the tolerance by reimbursing the borrower any amount by which the tolerances were exceeded. This reimbursement may be made at settlement or within 30 calendar days after settlement. HUD will deem a payment to have been provided in a timely fashion if it is placed in the mail by the loan originator within 30 calendar days after settlement."

Why treat recording fees and transfer taxes differently with regard to tolerances?

“Transfer taxes should generally be known at the time the GFE is provided, so those taxes continue to be subject to a zero tolerance. If there are changes in the tax rates or in the price of the property after a GFE is provided, those changes would either constitute changed circumstances or new information that would be the basis for providing a revised GFE. Government recording charges, in contrast, often may not be known with any certainty at the time the GFE is provided, and in many cases not until close to, or at, closing. Therefore, HUD has determined that these charges should be included with the third party charges that are subject to an overall 10 percent tolerance. Because the government recording charges typically are small in relation to other settlement costs, this should provide ample flexibility to loan originators on these charges without unduly impacting the permitted tolerances for other third party settlement charges.”

Why the disclosure of the agent’s portion of the title premium?

“HUD has determined to retain the designated lines for the agent’s portion of the total title insurance premium (Line 1107) and the underwriter’s portion of the total title insurance premium (Line 1108). Although inclusion of the agent/underwriter split on the HUD-1 differs from the GFE, it is HUD’s view that this breakdown will help consumers better understand their title charges.”

Does anyone know how much more work this new HUD will involve?

“Settlement agents may face a recurring cost, although this is not likely either since loan originators are responsible for providing the data. The settlement agent will have to add final charges not known by the originator, and may have to fill out the entire form if the lender does not transmit the information on an already completed HUD-1 page 3. The settlement agent may also want to check the information concerning settlement costs, tolerances, and loan terms to make sure they agree with the GFE. In some cases, the settlement agent will have to calculate the tolerances. We assume that it will add five minutes on average to the time it takes to prepare a settlement.” “It is hard to imagine how simpler forms could be more costly to explain to borrowers”.

How much is this going to cost to implement?

“Settlement agents may also face an additional burden, although this is not likely either since the lenders are responsible for providing the data. The settlement agent may have to fill out the form if the lender does not transmit it on a completed HUD-1 page 3. The settlement agent may also want to check the information concerning settlement costs, tolerances, and loan terms to make sure they agree with the GFE. In some cases, the settlement agent will have to calculate the tolerances. Preparing page 3 of the HUD-1 may also alert the settlement agent to inconsistencies that would not have to be resolved before closing. Thus, although the addition of this page may have a very small impact, we assume that it will add five minutes on average to the time it takes to prepare a settlement. Taking loan originators into account, the total time burden is fifteen minutes per loan. The compliance cost of the change to the HUD-1 for the industry as a whole is thus \$18 per loan (fifteen minutes at \$72 per hour)”.

Forms are attached.

(1) This memorandum is for informational purposes and is not a legal opinion. Recipients of this memorandum are encouraged to seek counsel regarding specific applications of the principles discussed herein.

Title Alerts from 1997 to present are available on our website at: <http://www.pennattorneys.com>



Settlement Statement (HUD-1A)

Optional Form for Transactions without Sellers

Name and Address of Borrower:	Name and Address of Lender:
Property Location: (if different from above)	Settlement Agent:
	Place of Settlement:
Loan Number:	Settlement Date:

L. Settlement Charges				M. Disbursements to Others	
800. Items Payable in Connection with Loan				1501.	
801. Our origination charge		(from GFE #1) \$			
802. Your credit or charge (points) for the specific interest rate chosen		(from GFE #2) \$		1502.	
803. Your adjusted origination charges		(from GFE A)			
804. Appraisal fee to		(from GFE #3)		1503.	
805. Credit report to		(from GFE #3)			
806. Tax service to		(from GFE #3)		1504.	
807. Flood certification		(from GFE #3)			
808.				1505.	
900. Items Required by Lender to Be Paid in Advance					
901. Daily interest charges from	to	@ \$ /day	(from GFE #10)	1506.	
902. Mortgage insurance premium	for	months to	(from GFE #3)		
903. Homeowner's insurance	for	years to	(from GFE #11)	1507.	
904.					
1000. Reserves Deposited with Lender				1508.	
1001. Initial deposit for your escrow account			(from GFE #9)		
1002. Homeowner's insurance	months @ \$	per month	\$	1509.	
1003. Mortgage insurance	months @ \$	per month	\$		
1004. Property taxes	months @ \$	per month	\$	1510.	
1005.	months @ \$	per month	\$		
1006.	months @ \$	per month	\$	1511.	
1007. Aggregate Adjustment			-\$		
1100. Title Charges				1512.	
1101. Title services and lender's title insurance			(from GFE #4)		
1102. Settlement or closing fee			\$	1513.	
1103. Owner's title insurance			(from GFE #5)		
1104. Lender's title insurance			\$	1514.	
1105. Lender's title policy limit \$					
1106. Owner's title policy limit \$				1515.	
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				1520. Total Disbursed	(enter on line 1603)
1201. Government recording charges			(from GFE #7)		
1202. Deed \$	Mortgage \$	Release \$		N. Net Settlement	
1203. Transfer taxes			(from GFE #8)	1600. Loan Amount	\$
1204. City/County tax/stamps	Deed \$	Mortgage \$		1601. Plus Cash/Check from Borrower	\$
1205. State tax/stamps	Deed \$	Mortgage \$		1602. Minus Total Settlement Charges	\$
1206.				(line 1400)	
1300. Additional Settlement Charges				1603. Minus Total Disbursements to Others (line 1520)	\$
1301. Required services that you can shop for			(from GFE #6)	1604. Equals Total Disbursements to Borrower	\$
1302.			\$	(after expiration of any applicable rescission period required by law)	
1303.			\$		
1304.					
1305.					
1400. Total Settlement Charges (enter on line 1602, Section N)					

The Public Reporting Burden for this collection of information is estimated at 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.

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

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
Total			
Increase between GFE and HUD-1 Charges		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001		
Daily interest charges	# 901 \$ /day		
Homeowner's insurance	# 903		
	#		
	#		
	#		

Loan Terms

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	\$ [] includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
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 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 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 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 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 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 type="checkbox"/> 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: <input type="checkbox"/> Property taxes <input 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.



A. Settlement Statement (HUD-1)

B. Type of Loan					
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. 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.o.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:		I. Settlement Date:	
		Place of Settlement:			

<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2">J. Summary of Borrower's Transaction</td> </tr> <tr> <td colspan="2">100. Gross Amount Due from Borrower</td> </tr> <tr><td>101. Contract sales price</td><td></td></tr> <tr><td>102. Personal property</td><td></td></tr> <tr><td>103. Settlement charges to borrower (line 1400)</td><td></td></tr> <tr><td>104.</td><td></td></tr> <tr><td>105.</td><td></td></tr> <tr> <td colspan="2">Adjustment for items paid by seller in advance</td> </tr> <tr><td>106. City/town taxes</td><td>to</td></tr> <tr><td>107. County taxes</td><td>to</td></tr> <tr><td>108. Assessments</td><td>to</td></tr> <tr><td>109.</td><td></td></tr> <tr><td>110.</td><td></td></tr> <tr><td>111.</td><td></td></tr> <tr><td>112.</td><td></td></tr> <tr> <td colspan="2">120. Gross Amount Due from Borrower</td> </tr> <tr> <td colspan="2">200. Amounts Paid by or in Behalf of Borrower</td> </tr> <tr><td>201. 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Gross amount due from borrower (line 120)</td><td></td></tr> <tr><td>302. Less amounts paid by/for borrower (line 220)</td><td>()</td></tr> <tr> <td>303. Cash</td> <td><input type="checkbox"/> From <input type="checkbox"/> To Borrower</td> </tr> </table>	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. 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501. Excess deposit (see instructions)																																																																																																																																																																									
502. Settlement charges to seller (line 1400)																																																																																																																																																																									
503. Existing loan(s) taken subject to																																																																																																																																																																									
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The Public Reporting Burden for this collection of information is estimated at 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.

L. Settlement Charges				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Real Estate Broker Fees					
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 #3)	
805. Credit report to				(from GFE #3)	
806. Tax service to				(from GFE #3)	
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)					

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

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
Total			
Increase between GFE and HUD-1 Charges		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001		
Daily interest charges	# 901 \$ /day		
Homeowner's insurance	# 903		
	#		
	#		
	#		

Loan Terms

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	\$ _____ includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
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 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 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 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 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 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 type="checkbox"/> 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: <input type="checkbox"/> Property taxes <input 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.



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/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.

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	\$

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 [] %. This credit reduces your settlement charges. <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.										
A	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. <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									
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. <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									
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. <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> <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	\$								



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 (after you lock in your interest rate) ■ Your adjusted origination charges (after you lock in your interest rate) ■ Transfer taxes 	<ul style="list-style-type: none"> ■ Required services that we select ■ Title services and lender's title insurance (if we select them or you use companies we identify) ■ Owner's title insurance (if you use companies we identify) ■ Required services that you can shop for (if you use companies we identify) ■ Government recording charges 	<ul style="list-style-type: none"> ■ Required services that you can shop for (if you do not use companies we identify) ■ Title services and lender's title insurance (if you do not use companies we identify) ■ Owner's title insurance (if you do not use companies we identify) ■ 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 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.

