



RESPA TRAINING

December 2009

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**Deputy Assistant Secretary for
Single Family Housing**

AGENDA

- Clarify key requirements that have created the most industry discussion
- Provide examples of loan scenarios
- Clarify additional FAQs
- Questions

Clarify Key Requirements of Regulation

- Delivery of GFE
- Important Dates
- Disclosing Fees
- Changed Circumstance
- The HUD-1

Delivery of the GFE

- The *initial* GFE distributed by any loan originator in a transaction becomes the binding GFE
 - Lenders will be accountable for mortgage broker's GFE
 - If lenders prefer to generate the GFE, they must do so within 3 days of the broker's application date
 - Mortgage bankers (non-table funded) are responsible for the GFE through HUD-1 compliance

Delivery of GFE

- Service Providers
 - If no service providers are listed, then it is assumed the customer could not shop and fees will be bound by tolerances
 - Lenders are responsible for fee requirements listed by their loan officers or the broker
 - Although the listing of a service provider is considered a referral, without a “thing of value” and an agreement or understanding, there is no violation of RESPA Section 8
 - Additional disclosure may be added to the list stating that the originator is not endorsing the service providers
 - Lenders may list their affiliate as the only service provider, but must distribute AfBA disclosure

Important Dates

- The “interest rate” and “other settlement charges” dates are independent of each other
- At lock, an updated GFE must be issued with “Important Dates” sections updated. Line 4 may contain “N/A” at this point.

Important dates	1. The interest rate for this GFE is available through <input type="text" value="January 1, 2010"/> . 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.
FLOAT →	2. This estimate for all other settlement charges is available through <input type="text" value="January 15, 2010"/>
	3. After you lock your interest rate, you must go to settlement within <input type="text" value="30"/> days (your rate lock period) to receive the locked interest rate.
	4. You must lock the interest rate at least <input type="text" value="15"/> days before settlement.

Important dates	1. The interest rate for this GFE is available through <input type="text" value="January 31, 2010"/> . 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.
LOCK →	2. This estimate for all other settlement charges is available through <input type="text" value="January 15, 2010"/>
	3. After you lock your interest rate, you must go to settlement within <input type="text" value="30"/> days (your rate lock period) to receive the locked interest rate.
	4. You must lock the interest rate at least <input type="text" value="N/A"/> days before settlement.

GFE page 2

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 charges." (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 you may select 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 fire, 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	\$								

Disclosing Fees

<p>Our origination charge This charge is for getting this loan for you.</p>	
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Block 1 – contains all lender or lender and mortgage broker origination points, processing fees and administrative fees (All or some of this line represents the mortgage broker compensation.)

Note:

- A mortgagee letter lifting the FHA 1% origination cap will be released shortly
- Origination charges should not be itemized on the GFE or the HUD-1
- Exception: If a state or governmental program requires the specific itemization of origination fees, a lender may itemize on the HUD-1 in the blank 800 lines

Disclosing Fees

2. Your credit or charge (points) for the specific interest rate chosen		
Box 1 → <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.)	
Box 2 → <input checked="" type="checkbox"/>	You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit reduces your settlement charges.	
Box 3 → <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.	
A Your Adjusted Origination Charges		\$ <input type="text"/>

Block 2

- Box 1 is only checked by the lender if no additional charges or credits apply
- Box 2
 - contains lender credits to the borrower to cover origination and/or fees OR
 - contains a mortgage broker credit from the lender (or yield spread premium) and any additional payments made to the broker from the lender
- Box 3 - - any interest rate related charges, i.e. discount points

NOTE: Only 1 box can be checked per loan.

Disclosing Fees

- All fees typically charged to borrowers regardless of who pays must be listed on the GFE.

Except

- Owners title, even if typically paid by the seller, must be disclosed on the GFE in Block 5

Items to Note:

- Fees disclosed, but paid by others are still bound by tolerances
- Block 3 includes all third party settlement services selected by the broker/lender
 - Exception: Document preparation performed by a third party should be disclosed in Block1 (Our origination charge)
 - Exception: Charges for appraisals performed by in-house appraisers should be disclosed in Block 1 (Our origination charge)

3. Required services that we select	
These charges are for services we require to complete your settlement. We will choose the providers of these services.	
<i>Service</i>	<i>Charge</i>

Blocks 3 - 11

10% tolerance in aggregate (along with other services below where provider was chosen from the list)

- Must list at least one service provider
- Subject to 10% aggregate tolerance if listed service provider is chosen
- Not subject to tolerance if listed service provider is not chosen

10% aggregate tolerance

Zero tolerance

Must be disclosed but not subject to tolerance

3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services.	
<i>Service</i>	<i>Charge</i>
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.	
<i>Service</i>	<i>Charge</i>
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other <input type="text"/> .	
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"/> per day for <input type="text"/> days (if your settlement is <input type="text"/>).	
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire.	
<i>Policy</i>	<i>Charge</i>

- Must list at least one service provider if allowed to shop
- Subject to 10% aggregate tolerance if listed service provider is chosen
- Not subject to tolerance if listed service provider is not chosen

Changed Circumstance

- What is it?
 - Acts of God, war, disaster or other emergency
 - Changed situation or inaccurate information provided by the borrower after issuance of the GFE

Changed Circumstance

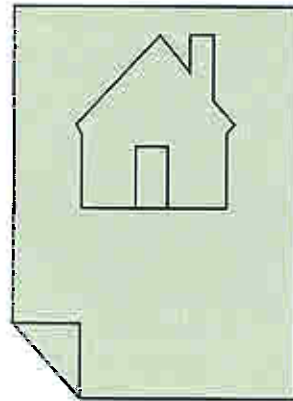
- What can change?
 - Only those fees impacted by the changed circumstance
 - If pricing changes due to a changed circumstance, or a borrower requested change, only the interest rate dependant charges and terms may change. This includes only those charges or credits in Block 2 which will, in turn, impact the “Adjusted Origination Charges.”
 - If pricing changed due to going from a float to a lock, only the interest rate dependant charges and terms may change (Block 2 and the impacted, “Adjusted Origination Charges.”)
 - Block 1 fees CANNOT change, even with a changed circumstance
Exception: If the loan amount changes and a portion of the “Origination Charge” is a percentage of the loan amount or the overall loan program changes
 - Important Dates Section – must be updated to reflect any new information

The HUD-1

- If “Adjusted Origination Charges” are negative, no additional itemization must be displayed on the HUD-1
- A lender MAY choose to show the specific 3rd party settlement service fees that this credit paid for on an addendum to the HUD-1
- ONLY lender credits NOT included in the “Adjusted Origination Charges” should be reflected in Lines 204 - 209

The HUD-1

- All charges are subject to tolerance thresholds, regardless of whether there is a credit for that fee at closing by the seller, realtor or loan originator.
- Tolerance thresholds are for “increases” only; decreases beyond the threshold are allowed



Pricing Scenario Number 1

Now let's take a look at some examples

Retail Pricing

Loan Amount \$200,000

Interest Rate 5%

Origination Point 1% = \$2,000

Administrative Fee \$500

Retail Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$2,500.00
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="5"/> % 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.	\$0.00
A Your Adjusted Origination Charges	\$ 2,500.00



Pricing Scenario Number 1

Wholesale Pricing

Loan Amount \$200,000

Interest Rate 5%

Yield Spread Premium 1% = (\$2,000)

Broker Compensation \$4,000 + \$200 Processing Fee

Lender Administrative Fee \$300

Wholesale Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$4,500.00
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="2,000.00"/> for this interest rate of <input type="text" value="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.	-\$2,000.00
A Your Adjusted Origination Charges	\$ 2,500.00



Pricing Scenario Number 1

Retail Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$2,500.00
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="5"/> % 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.	\$0.00
A Your Adjusted Origination Charges	\$ 2,500.00

Wholesale Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$4,500.00
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="2,000.00"/> for this interest rate of <input type="text" value="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.	-\$2,000.00
A Your Adjusted Origination Charges	\$ 2,500.00

Changed Circumstance

Loan Amount \$200,000

Appraisal came in lower than expected resulting in a 50 bp loan adjustment

Interest Rate 5%

Origination Points 1%

Lender Administrative Fee \$500

Retail Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$2,500.00
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 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 checked="" type="checkbox"/> You pay a charge of \$ <input type="text" value="1,000.00"/> for this interest rate of <input type="text" value="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.	\$1,000.00
A Your Adjusted Origination Charges	\$ 3,500.00



Changed Circumstance

Loan Amount \$200,000

Interest Rate 5%

Yield Spread Premium .5% = (\$1,000)

Broker Compensation \$4,000 + \$200 processing fee

Lender Administrative Fee \$300

Wholesale Disclosure

Your Adjusted Origination Charges	
<p>1. Our origination charge This charge is for getting this loan for you.</p>	\$4,500.00
<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 \$ <input type="text" value="1,000.00"/> for this interest rate of <input type="text" value="5"/> %. This credit reduces your settlement charges.</p> <p><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. 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>	-\$1,000.00
<p>A Your Adjusted Origination Charges</p>	\$ 3,500.00



Pricing Scenario Number 2

Loan Amount \$200,000
 Interest Rate 5.25%
 Lender Credit (\$1,000)
 Origination Points 0
 Lender Administrative Fee \$500

Retail Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$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="\$1,000"/> for this interest rate of <input type="text" value="5.25"/> %. 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.	-\$1,000
A Your Adjusted Origination Charges	\$ -\$500



Pricing Scenario Number 2

Loan amount \$200,000

Interest Rate 5.25%

Yield Spread Premium (2.5%)

Broker Compensation \$4,000 + \$200 processing fee

Lender Administrative Fee \$300

Wholesale Disclosure

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$4,500
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="\$5,000"/> for this interest rate of <input type="text" value="5.25"/> %. 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.	-\$5,000
A Your Adjusted Origination Charges	\$ -\$500



Pricing Scenario Number 2 (HUD-1)

- Let's take a look at how this is reflected on the HUD -1

Retail

800. Items Payable in Connection with Loan			
801. Our origination charge	\$ 500.00	(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen	\$ -1,000.00	(from GFE #2)	
803. Your adjusted origination charges		(from GFE #A)	-\$500.00

Wholesale

800. Items Payable in Connection with Loan			
801. Our origination charge	\$ 4,500.00	(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen	\$ -5,000.00	(from GFE #2)	
803. Your adjusted origination charges		(from GFE #A)	-\$500.00

Comparison Chart page 3 HUD- 1 Retail

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	\$500.00	\$500.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-\$1,000.00	-\$1,000.00
Your adjusted origination charges	# 803	-\$500.00	-\$500.00
Transfer taxes	# 1203		

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
ABC Credit Agency	# 805	\$25.00	\$25.00
XYZ Flood Certification and Life of Loan	# 807	\$15.00	\$15.00
123 Appraisal Company	# 804	\$300.00	\$350.00
Americas Title Company	# 1101	\$475.00	\$800.00
Rid-A-Pest	# 1303	\$200.00	\$250.00
	#		
	#		
Total		\$1,015.00	\$1,440.00
Increase between GFE and HUD-1 Charges		\$ 425	or 41 %

Comparison Chart page 3 HUD- 1 Retail

Charges That Can Change	Good Faith Estimate	HUD-1
Initial deposit for your escrow account # 1001		
Daily interest charges \$ 28.77 /day # 901	\$616.50	\$41.10
Homeowner's insurance # 903	\$500.00	\$800.00
Joe's Survey # 1302	\$250.00	\$375.00
#		
#		

Correcting HUD-1 to be in Tolerance in Aggregate Bucket

$\$1,015 \times 1.10 = \$1,116.50$ maximum fees allowed

$\$1,440 - \$1,116.50 = \$323.50$

\$323.50 shows as a lender credit in lines 204 – 209

Page 1 of HUD-1

200. Amount 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. Lender credit to cure 10% tolerance	\$323.50

Page 3 of HUD-1

Good Faith Estimate	HUD-1
\$25.00	\$25.00
\$15.00	\$15.00
\$300.00	\$350.00
\$475.00	\$800.00
\$200.00	\$250.00
\$1,015.00	\$1,440.00
\$ 425	of 41 %

The HUD-1 Example

Showing a credit for variances outside of the tolerance

Example: If the difference is attributed to a specific line item

1200. Government Recording and Transfer Charges				
1201. Government recording charges			(from GFE #7)	
1202. Deed \$	Mortgage \$	Release \$		
1203. Transfer taxes			(from GFE #8)	\$800.00
1204. City/County tax/stamps	Deed \$ 1,000.00	Mortgage \$		
1205. State tax/stamps	Deed \$	Mortgage \$		
1206. Transfer taxes	\$200 P.O.C. (lender) to meet tolerance			

Other Things to Know

- If a GFE is given during pre-qualification, the receipt of one of the six required pieces of documentation will not constitute a “changed circumstance.”
- If loan originators would like to have evidence a consumer received a GFE, a loan originator may develop practices and procedures to document acknowledgment of the GFE.
- HUD understands that some definitions within the disclosure may be different than TILA requirements.

Questions

