

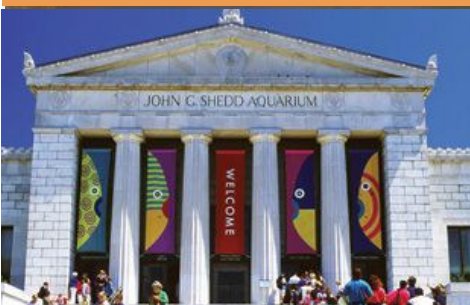
- **New GFE**
- **New HUD-1**

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The Final RESPA Rule



Background

- RESPA reform has been ongoing since 1992.
- It is never without controversy, as proposed changes typically pit settlement service providers against each other.
- This was certainly the case in 2002 when HUD introduced a proposed rule calling for a guaranteed mortgage package.
- Eventually settlement service industries, with the help of Congress, got HUD to withdraw the 2002 proposed rule.



Background

- In 2005, HUD conducted a series of roundtable discussions with industry representatives, trade associations, and consumer groups.
- 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.
- HUD published its final rule on November 17, 2008.



Principles of RESPA Reform

- Help consumers shop for the best loan.
- Shopping leads to greater competition & lower prices.
- Key final terms of the loan disclosed to the borrower at closing.
- Preserve a competitive market for all settlement service providers.



Summary of Final Rule

- Main components of final RESPA rule.
 - 3-page Good Faith Estimate
 - Disclosure of broker fees as a “credit” to consumer
 - Tolerance limitations of settlement charges
 - 3-page HUD-1 Settlement Statement
- Every settlement service provider will be affected.



Effective Dates



January 1, 2010

- New GFE
- New HUD-1/1A
- Everything Else



Good Faith Estimate “GFE”



Good Faith Estimate - Final Rule

- Final rule requires a 3-page GFE.
- Includes a summary of key loan terms on page one.
 - Breaks out escrow information from summary
- Estimates total settlement charges on page two.
 - Removes “optional” from owner’s title insurance
 - Separate categories for recording fees and transfer taxes
 - Shuffles the order of settlement charges
- Provide a GFE within three days of receiving an “application”.
 - New definition of application




Good Faith Estimate - Final Rule

- Settlement charges must remain open for 10 business days.
 - No change by HUD
- Identifies that the initial interest rate is available until a specified date.
 - No change by HUD
- Limits GFE fees to the cost of a credit report.
 - Legal authority?
- Removes 1% origination fee cap on FHA loans.
 - HUD thinks competition will lower fee



GFE - Page 1



Good Faith Estimate (GFE)

OMB Approval No. 2502-0265

[Print Form](#)

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	Date of GFE
Originator Email	

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	\$ []

Good Faith Estimate (HUD-GFE) 1



GFE - Page 2

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> </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> </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> </tbody> </table>			Policy	Charge				
Policy	Charge							
B	Your Charges for All Other Settlement Services	\$						
A + B	Total Estimated Settlement Charges	\$						



GFE - Page 3 - Instructions

Instructions

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

Understanding which charges can change at settlement

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	\$	\$	\$

¹For 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.



HUD-1 Settlement Statement - Final Rule

- Modifies page two of HUD-1 to compare final settlement charges with the GFE.
 - Includes “(from GFE#_)” next to itemized charges
 - Uses language consistent with GFE (i.e. removes “optional” from owner’s title insurance)
- Groups previously itemized lender and title insurance charges into single fees.
 - Breaks out settlement fee from bundled title services fee
 - Continues to itemize title agent’s and title underwriter’s portions of premium




Closing Script - Final Rule

- Adds page three to the HUD-1.
 - Requires comparison chart between GFE fees and final settlement charges on HUD-1
 - Includes a summary of loan terms
- Obligates lender to supply settlement agent with sufficient information to complete page three.



HUD-1 Settlement Statement



A. Settlement Statement (HUD-1)

OMB Approval No. 2520-0045

B. Type of Loan

1. <input type="checkbox"/> FHA, 2. <input type="checkbox"/> RRS	3. <input type="checkbox"/> Con. Unit	6. File Number:
4. <input type="checkbox"/> VA, 5. <input type="checkbox"/> Farm Inv.		7. Loan Number:
		8. Mortgage Insurance Case Number:

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. 20* have paid outside the closing; they are shown here for informational purposes and are not included in the total.

D. Name & Address of Borrower	E. Name & Address of Seller	F. Name & Address of Lender
G. Property Location:		H. Settlement Agent: Firm or Person:
		I. Settlement Date:

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower	
101. Interest rate price	
102. Personal property	
103. Settlement charges to borrower (line 400)	
104.	
105.	
Adjustments for items paid by seller in advance	
106. City/County taxes	to
107. County taxes	to
108. Assessments	to
109.	
110.	
111.	
112.	
120. Gross Amount Due from Borrower	
200. Amounts Paid by or to Benefit of Borrower	
201. Deposit or escrow money	
202. Principal amount of new loans	
203. Closing loans taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/County taxes	to
211. County taxes	to
212. Assessments	to
213.	
214.	
215.	
216.	
217.	
218.	
219.	
300. Total Paid by/for Seller	
300. Cash at Settlement from/to Borrower	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 200)	
303. Cash <input type="checkbox"/> from <input type="checkbox"/> to Borrower	

K. Summary of Seller's Transaction

400. Gross Amount Due to Seller	
401. Interest rate price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/County taxes	to
407. County taxes	to
408. Assessments	to
409.	
410.	
411.	
412.	
420. Gross Amount Due to Seller	
500. Reductions in Amount Due to Seller	
501. Escrow deposit (see instructions)	
502. Settlement charges to seller (line 100)	
503. Closing loans taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/County taxes	to
511. County taxes	to
512. Assessments	to
513.	
514.	
515.	
516.	
517.	
518.	
519.	
600. Total Reduction Amount Due Seller	
600. Cash at Settlement to/from Seller	
601. Gross amount due to seller (line 420)	
602. Less reductions in amount due seller (line 500)	
603. Cash <input type="checkbox"/> to <input type="checkbox"/> from Seller	

The Public Reporting Burden for this collection of information is estimated to average 30 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 HUD-1 covered transaction with information during the settlement process.

In General

- Revised to compare with GFE.
- Categorized - eliminate free proliferation.
- Third party charges listed outside column.
- Added page to HUD-1/1A.
- Highlights key loan terms.



Right-to-Cure

Inadvertent or technical errors
not a violation of RESPA Section 4
IF revised HUD-1 is provided within
30 calendar days after settlement.



HUD-1 - Page 2

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 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. Reserves or escrow					(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 required title insurance					(from GFE #4)			
1102. Settlement or closing fee			\$					
1103. Owner's title insurance					(from GFE #5)			
1104. Lender's title insurance premium			\$					
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)								



Disclosure of Yield Spread Premiums - Final Rule

- YSP disclosure remains largely unchanged.
- A YSP is disclosed as a “credit” to the lender or broker’s “origination charge”.
- Discount points are disclosed as a “charge”, which is added to the lender or broker’s “origination charge”.
- HUD retains the comparison chart on page three of final GFE.
 - A lender’s completion of this chart is now optional



Comparison Chart

Loan Amount	Loan Term	Loan Type	
Comparison of Good Faith Estimate (GFE) and HUD-1/1A Charges		Good Faith Estimate	HUD-1/1A
Charges That Cannot Increase	HUD 1/1A Line Number		
Our origination charge	# 801		
Your credit or charge for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	#1203		
Charges That in Total Cannot Increase More Than 10%			
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
Total			
Increase between GFE and HUD-1/1A Charges		\$	or %
Charges That Can Change			
Initial deposit for reserves or escrow	#1001		
Daily interest charges	# 901 \$ /day		
Homeowner's insurance	# 903		
	#		
	#		
	#		



Comparison Chart

- Compares charges listed on GFE & actual charges listed on the HUD-1/1A.
- Identifies tolerance compliance or violation.
- Three Categories:
 - Charges that cannot increase
 - Sum of charges that cannot increase more than 10%
 - Charges that can increase



Tolerances - Final Rule

- Questionable statutory authority.
- Three buckets of settlement charges. (Items 3-11 on page 2 of final GFE).
 - Fixed fees
 - 10% tolerance
 - HUD moves government recording fees from the fixed category to the 10% tolerance category
 - No restrictions
- Absent “**changed** circumstances.”
 - HUD expands the circumstances that will justify a new GFE
- HUD gives lenders a 30-day cure period.



Loan Terms

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 your 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 your payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____. The earliest it can reach this amount 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 do have an additional monthly escrow payment of \$ _____. That results in a total initial monthly amount owed of \$ _____. This includes principal, interest, and 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"/> _____



Loan Terms

- Ensures borrowers that they received loan they applied for.
- Highlights key loan terms.



Any Questions?

