

# RESPA – Good Faith Estimate and Settlement Statement Requirements

## Effective Date – January 1, 2010

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### GOOD FAITH ESTIMATE

**1) Timing** – must be provided within 3 business days of receipt of “application”

- a. Application = 6 pieces of information (written or electronic application)
  - i. NAME
  - ii. SSN
  - iii. INCOME
  - iv. PROPERTY ADDRESS
  - v. ESTIMATED VALUE – (do not need appraisal)
  - vi. LOAN AMOUNT
  - vii. *And any other information deemed necessary by the loan originator; does not include verification documents*
- b. Lender/broker can require more documentation to verify “application” **after** the GFE is provided
- c. Application vs. Prequalification - if 6 items gathered, not a prequalification

### 2) Lenders and Brokers

- a. If broker provides a GFE, lender does not have to BUT is responsible for determining whether or not it was provided
- b. Lender/broker may not charge, as a condition for providing a GFE, any appraisal, inspection, or other settlement service but may charge for actual cost of credit report
- c. May not charge additional fees until after applicant has received GFE

Applicant is considered to have received it 3 calendar days after mailed (not including Sundays and federal holidays)

### 3) Facts about New Form

- Required Provider Section has been removed
- If new form used before January 1, must comply with all related rules and must use new HUD
- 3 pages with 13 Main Sections

## Completing the GFE

### Page 1 – Transaction Identification Section

- a) Originator Name and Contact Information
- b) Borrower Name and Subject Property
- c) GFE Date (important in defining the period and the terms that are available)  
*so date when mailed or provided*

**Page 1 – Purpose: Explains the purpose of the GFE, identifies sources of additional information, and advises how to proceed.**

**Page 1 – Shopping for Your Loan: Advises that only the consumer can shop for the best loan for him/her.**

### Page 1 – Important Dates

- a) Specifies the date and, at lenders option, the time through which the interest rate and certain rate-dependent charges are available
  - a. Interest rate dependent charges
    - i. The credit or charge for the interest rate chosen
    - ii. The adjusted origination charges
    - iii. The per diem interest
  - b. Originator can specify the rate availability period before the rate lock
  - c. The rate lock governs once the rate is locked
- b) Specify the date through which all other charges are available (minimum 10-day period)
- c) Specify rate lock timeframes
  - a. Provide the rate lock period that will apply once the rate is locked
  - b. If applicable, note the minimum time to lock before settlement

**Page 1 – Summary of Your Loan: Addresses 9 elements of the loan. For the interest rate, you enter the note rate and APR**

**Page 1 – Escrow Account Information Section: Addresses whether the loan includes a monthly escrow**

### Page 1 – Summary of your Settlement Charges

- a) Block A - The adjusted origination charges from Block A on page 2
- b) Block B – The total of all other settlement charges from Block B on page 2
- c) Block A + Block B

## Page 2 – Understanding Your Estimated Settlement Charges

- a) Your adjusted origination charges
  - a. Block 1: Must include all origination charges of the lender and, if applicable, the mortgage broker (except points)
    - i. If no broker, lender can elect to
      - 1. Include in Block 1 the amount of any credit or charge (points) for the interest rate chosen; *or*
      - 2. Disclose any such credit or charge in Block 2
    - ii. If there is a broker, any credit or charge for the interest rate chosen must be disclosed in Block 2
  - b. Block 2
    - i. Check second box to reflect there is a credit for the rate chosen, and insert the \$ and the interest rate in the applicable blanks. Credit MUST BE entered as a NEGATIVE amount.
    - ii. Check the third box to reflect a charge (or points) for the rate chosen and show the \$ and interest rate in the applicable blanks. Entered as POSITIVE amounts
    - iii. You will only check one or the other, not both
    - iv. Block A: Total of Block 1 and 2

*EXAMPLE: \$100,000 loan with 1 point to buy down the rate, lender fees of .5% and a broker fee of 1%.*

*Block 1: \$1,500 (lender fee and broker fee totaled)*

*Block 2: Check the 3<sup>rd</sup> box and enter \$1,000 and the note rate in the blocks*

*Block A: Adjustment = \$2,500 (\$1,500 + \$1,000)*

## **Page 2 – Your Charges for All Other Settlement Services**

Block 3: Required service that we select

For the services required by the originator and for which the originator will select the service provider, list each applicable service and estimated charge for each service and enter the total amount in Block 3

*Examples include: appraisal, flood cert, tax service, credit report*

Block 4: Title service and lender's title insurance

Block 5: Owners title insurance ("NA" if not purchase)

Block 6: Required services that you can shop for (*for example, pest inspection*)

Block 7: Government recording charges

Block 8: Transfer tax and registration tax

Block 9: Initial deposit into escrow – indicate if the required escrow are for all property and all insurance. If deposit required for some, but not all, check other and identify the applicable taxes or insurance

Block 10: Daily interest charges and how it is calculated (enter amount each day, number of estimated days, and anticipated settlement date)

Block 11: Homeowners Insurance (includes flood)

Block B: Enter total for 3-11

*Note: No guidance for listing property taxes.....*

## **Page 3 – Understanding which Charges can Change at Settlement**

- a) This section explains the limits & tolerances on changes in estimated fees
  - a. ZERO tolerance: Origination fee, Credit/Charge for Locked-in Rate, "Adjusted Origination Charge," Transfer Taxes (*these can change upon customer's request*)
  - b. 10% Tolerance for change: SUM of lender-required and selected or identified settlement services (including title services and government recording charges) (see blocks 3-7 above)
  - c. No established limits: All other settlement services

### **Page 3 – Using the Tradeoff Table**

- a) This section demonstrates the relationship between the interest rate and the settlement costs.
- b) The originator must enter basic information about the loan covered by the GFE in the left column.
- c) The completion of the remainder of the table is OPTIONAL although HUD encourages completion of the table; *(testing revealed the tradeoff table to be one of the most informative aspects of the new form)*
- d) Center column is for an alternate loan with lower settlement charges but a higher rate and Right column is for alternate loan with higher settlement charges and lower rate
- e) IF you elect to add information on alternate loans; the information must be for loans you would actually offer and the borrower would qualify for AND everything other than rate and settlement costs must be identical

**Page 3 - Using the Shopping Cart:** This section is for completion by the consumer.

#### **4) Changes and Redisclosure**

- a. The GFE of most charges must be good for at least 10 business days from date provided unless a new GFE is provided prior to settlement

Exceptions: Interest rate, credit/charge for locked-in rate, adjusted origination charges, and per diem interest

- b. A revised GFE must be provided within 3 business days of receiving information establishing changed circumstances
  - i. Affecting settlement costs
  - ii. Affecting the loan
  - iii. Based on borrower-requested changes
- c. Originator is not bound by GFE if a borrower does not express intent to continue with application within 10 business days after providing the GFE
- d. If the interest rate has not been locked by the borrower, or a locked interest rate has expired, appropriate charges may change. If the borrower later locks, a new GFE must be provided and all other charges and terms must remain the same
- e. 3-year record retention for documenting reasons for providing new GFE

#### **5) Cure Provisions for violations relating to GFE**

- a. If charges at settlement exceed the GFE charges by more than the permitted tolerances, the originator may cure the violations by reimbursing the borrower by the amount the tolerance was exceeded within 30 calendar days of settlement.

#### **HUD-1/HUD-1A (See attachment)**

##### **1) Changes include:**

- a. Cross reference to the appropriate GFE Block in which the corresponding estimated fee was disclosed
- b. New page that compares GFE and HUD charges and summarizes the loan
- c. Same rules regarding use before January as GFE

## Completing the HUD/HUD-1A

### HUD Page 1

- a) Identification Section (HUD-1 & 1A)
- b) HUD-1 includes a summary of the borrower's and seller's transaction

### HUD Page 2

- a) Both still provide for listing of settlement charges
- b) 700 Series – Total Real Estate Broker Fees (HUD-1 only)
- c) 800 Series – Items payable in connection with the loan
  - i. Lines 801 & 802: applicable amount is *disclosed to the left* of the borrower's column (this is the itemized "adjusted origination charges"
  - ii. Line 803 (adjusted origination charges): amount must be *listed in borrower's column* and can be a negative # if there is a credit, positive # if there is a charge, or zero
  - iii. Lines 804-808: applicable amount in borrower's column, or to the left of the column, based on whether or not the charge is POC  
*NOTE: For POC items, the party paying the charge must be shown*
- d) 900 Series – Items required by lender to be paid in advance
  - i. The applicable amounts paid at settlement are reflected in the borrower's column.
  - ii. Do not include any amounts for deposit into escrow
- e) 1000 Series – Reserves Deposited with Lender
  - a. Total deposit is entered on line 1001
  - b. The amounts on lines 1002-1007 are an itemization of the total on line 1001 and are entered to the left of the borrower's column

- c. Line 1007 is for the aggregate account adjustment, which is negative or zero
- f) 1100 Series – Title charges
  - a. Title services charge and premium for lender's title insurance are disclosed in the borrower's column on 1101
  - b. If the settlement or closing fee is included in 1101, then it is disclosed left of the borrower's column on line 1102. If not, it is disclosed in the borrower's column.
  - c. Owner's title charge is on line 1103
  - d. Lenders title insurance is *disclosed to the left of the borrower's column* on line 1104 (amount already shown on 1101)
  - e. The lender's and owner's title policy limits, and the agent's and underwriter's portions of the insurance premium are disclosed to the left of the borrower's column on lines 1105 & 1108
- g) 1200 Series – Government Recording and Transfer Charges
  - a. Total recording charges on line 1201
  - b. Itemized charges are *disclosed to the left of the borrower's column* on line 1202
- h) 1300 Series – Additional Settlement Charges
  - a. Total of the required services the borrower can shop for is included in line 1301
  - b. Itemized services are listed on lines that follow *to the left of the borrower's column*.
  - c. 1300 series can also be used to reflect miscellaneous itemized settlement charges not included in a specific category (inspections, HOA dues)
- i) 1400 Series – Total Settlement Charges
  - a. Enter the total amount for lines 700-1300.
- j) Seller Paid Fees

- a. Special rule for seller paid fees to allow for comparison of GFE and HUD-1. If seller pays a charge that was listed on GFE, the charge must be recorded in the borrower's column on the appropriate line.
- b. On page 1, a credit to the borrower in the amount of the charge must be entered in the 200 series and a corresponding charge to the seller must be entered in the 500 series

**Page 3 - NEW (comparison of charges in three parts, based on tolerances)**

- a) Charges that cannot increase
- b) Charges that in TOTAL cannot increase more than 10%
  - a. Government recording charges
  - b. Required services
  - c. Required services, required title insurance and owners insurance, when the borrower selects a provider identified by the originator
- c) Charges that can change
- d) If applicable, the specific date on which the interest rate can first change must be provided, along with the period between subsequent changes and the maximum rate movement on a changed date
- e) If applicable, the amount of the monthly escrow account payment
- f) If applicable, the specific date on which a balloon payment is due

Cure provision – same as GFE (new form within 30 calendar days)