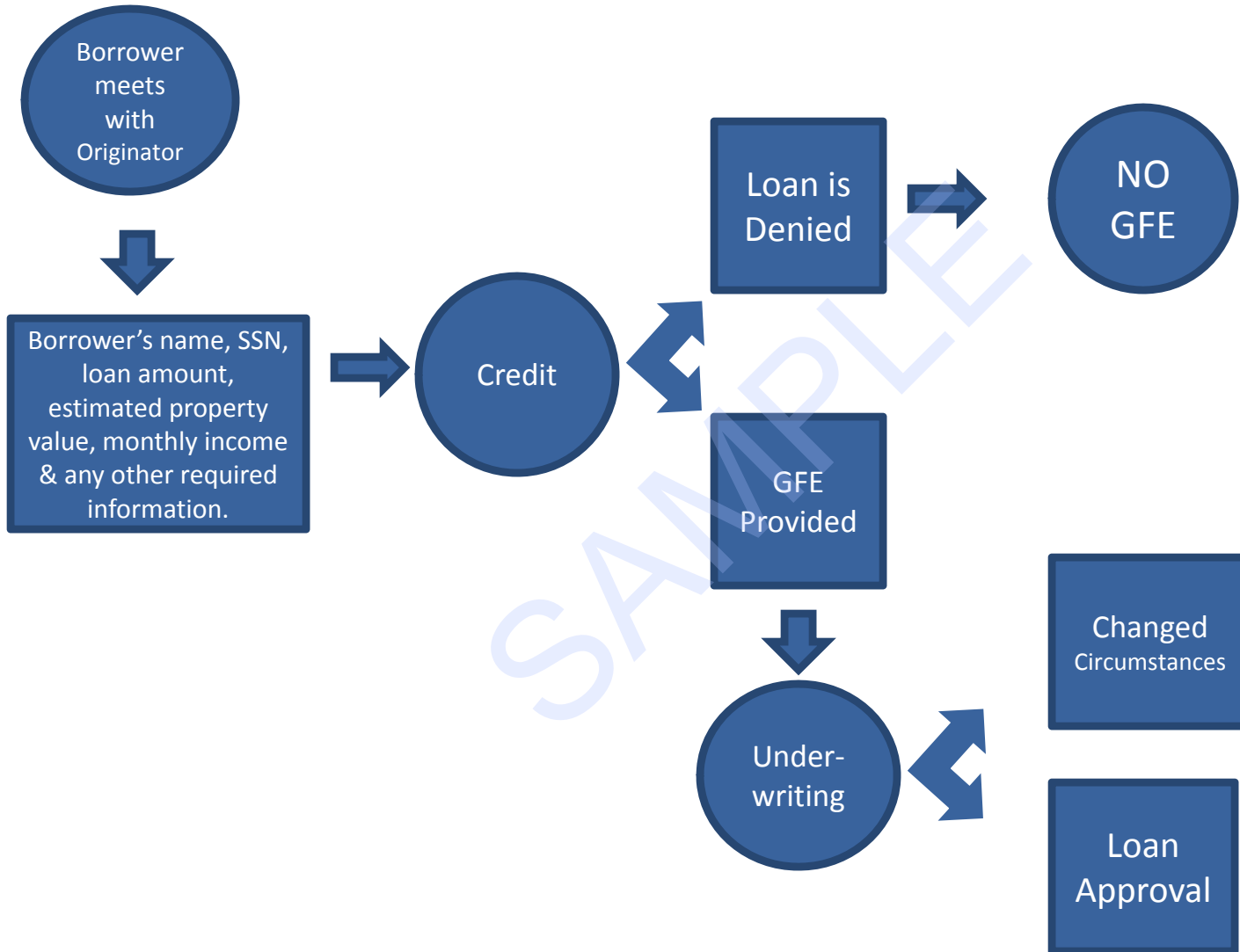


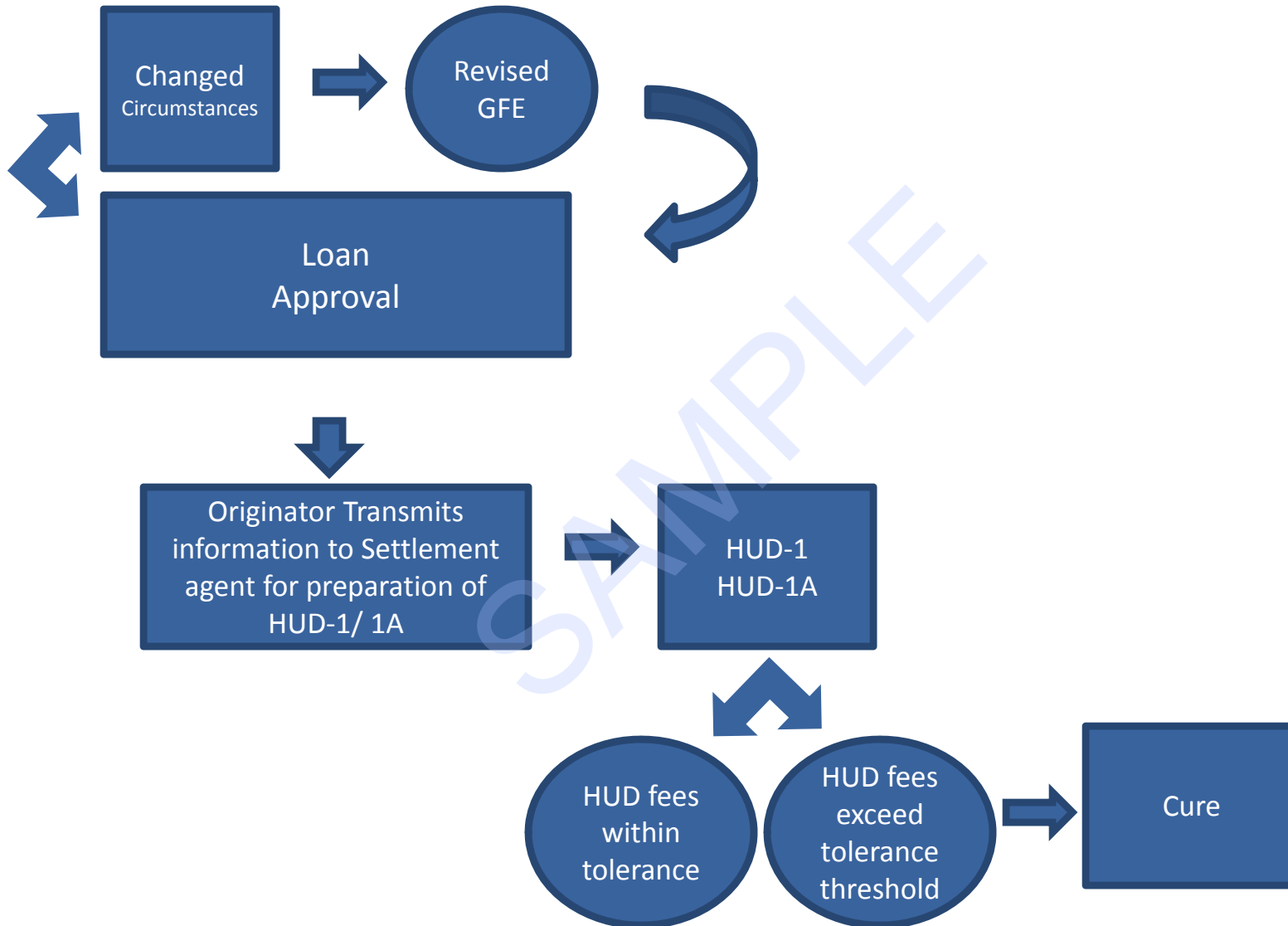
# REAL ESTATE SETTLEMENT PROCEDURES ACT

**Mortgage Lending Compliance Effective January 1, 2010**

# GFE Flowchart



## GFE Flowchart- Continued



## DELIVERY OF THE GFE

- **If loan is denied within 3 business days, no GFE is required**
- **Pre-quals are allowed (no GFE required)**
- **GFE's can be e-mailed to borrowers**
- **Borrower must consent**
- **Must comply with the E-Sign Act**
- **May be faxed or sent by other electronic means**

## GFE-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

#### FLOAT



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.

### Important dates

#### LOCK



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.

## GFE-Origination Charges - Page 2, Line A

| Your Adjusted Origination Charges   |    |
|---|----|
| <b>1. Our origination charge</b><br>This charge is for getting this loan for you.   |    |
| <b>2. Your credit or charge (points) for the specific interest rate chosen</b><br><input type="checkbox"/> The credit or charge for the interest rate of [ ] % is included in "Our origination charge." (See item 1 above.)<br><input type="checkbox"/> You receive a credit of \$ [ ] for this interest rate of [ ] %. This credit <b>reduces</b> your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ [ ] for this interest rate of [ ] %. This charge (points) <b>increases</b> your total settlement charges.<br>The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan. |    |
| <b>A</b> Your Adjusted Origination Charges  | \$ |

All Fees Rolled Up Here

### Fees that may be rolled up in Block 1 include:

- **Application Fee**
- **Processing Fee**
- **Underwriting Fee**
- **Administrative Fee**
- **Mortgage Broker Fee**
- **Miscellaneous Fees**

Box 1 = ZERO Tolerance

## DISCLOSING FEES

|          |  |                         |
|----------|--|-------------------------|
| <b>1</b> | <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.)   |                         |
| <b>2</b> | <input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This credit reduces your settlement charges.   |                         |
| <b>3</b> | <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) increases your total settlement charges.<br>The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan. |                         |
| <b>A</b> | 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 loan origination fee or points

NOTE: 1 box must be checked per loan, and only 1 box may be checked.

## Charges for All Other Settlement Services – Page 2, Blocks 3-11

| Your Charges for All Other Settlement Services   |                |               |  |  |  |                        |  |  |
|--|----------------|---------------|--|--|--|------------------------|--|--|
| <b>3. Required services that we select</b><br>These charges are for services we require to complete your settlement. We will choose the providers of these services.<br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left; border-bottom: 1px solid black;"><i>Service</i></th> <th style="width: 20%; text-align: left; border-bottom: 1px solid black;"><i>Charge</i></th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;"> </td> <td style="border-bottom: 1px solid black;"> </td> </tr> <tr> <td style="border-bottom: 1px solid black;"> </td> <td style="border-bottom: 1px solid black;"> </td> </tr> </tbody> </table> | <i>Service</i> | <i>Charge</i> |  |  |  |                        |  | Items<br>3 through 7<br><br>10%<br>Tolerance<br>*<br><br>*if lender<br>chooses<br>provider |
| <i>Service</i>   | <i>Charge</i>  |               |  |  |  |                        |  |  |
|  |                |               |  |  |  |                        |  |  |
|  |                |               |  |  |  |                        |  |  |
| <b>4. Title services and lender's title insurance</b><br>This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.  |                |               |  |  |  |                        |  |  |
| <b>5. Owner's title insurance</b><br>You may purchase an owner's title insurance policy to protect your interest in the property.  |                |               |  |  |  |                        |  |  |
| <b>6. Required services that you can shop for</b><br>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.<br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left; border-bottom: 1px solid black;"><i>Service</i></th> <th style="width: 20%; text-align: left; border-bottom: 1px solid black;"><i>Charge</i></th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;"> </td> <td style="border-bottom: 1px solid black;"> </td> </tr> </tbody> </table>         | <i>Service</i> | <i>Charge</i> |  |  |  |                        |  |  |
| <i>Service</i>   | <i>Charge</i>  |               |  |  |  |                        |  |  |
|  |                |               |  |  |  |                        |  |  |
| <b>7. Government recording charges</b><br>These charges are for state and local fees to record your loan and title documents.  |                |               |  |  |  |                        |  |  |
| <b>8. Transfer taxes</b><br>These charges are for state and local fees on mortgages and home sales.  |                |               |  |  |  |                        |  |  |
| <b>9. Initial deposit for your escrow account</b><br>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 (_____).   |                |               |  |  |  |                        |  |  |
| <b>10. Daily interest charges</b><br>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 _____).   |                |               |  |  |  |                        |  |  |
| <b>11. Homeowner's insurance</b><br>This charge is for the insurance you must buy for the property to protect from a loss, such as fire.<br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left; border-bottom: 1px solid black;"><i>Policy</i></th> <th style="width: 20%; text-align: left; border-bottom: 1px solid black;"><i>Charge</i></th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;"> </td> <td style="border-bottom: 1px solid black;"> </td> </tr> </tbody> </table>   | <i>Policy</i>  | <i>Charge</i> |  |  |  | #8 - Zero<br>Tolerance |  |  |
| <i>Policy</i>  | <i>Charge</i>  |               |  |  |  |                        |  |  |
|  |                |               |  |  |  |                        |  |  |

GOOD FAITH ESTIMATE



## ACCEPTABLE CHANGED CIRCUMSTANCES

- **Information particular to the borrower or transaction that was relied on in providing the GFE and that changes or is found to be inaccurate after the GFE has been provided, which may include :**
  - ✓ **Information about the credit quality of the borrower**
  - ✓ **The amount of the loan**
  - ✓ **The estimated value of the property**
  - ✓ **Any other information that was used in providing the GFE**
- **New information particular to the borrower or transaction that was not relied on in providing the GFE**
- **Other circumstances that are particular to the borrower or transaction, including boundary disputes, the need for flood insurance, or environmental problems**

## ACCEPTABLE CHANGED CIRCUMSTANCES

- **Additional service such as an additional pest, structural or other inspection, upgraded appraisal, certification, survey or other requirement is required**
- **The borrower's credit score changes**
- **GSE, FHA or Mortgage Insurance program changes**
- **The property address provided by the applicant, turns out to not be the correct, legal address**
- **During or as part of the transaction, it is determined that the property use may change, such as from owner-occupied to rental property**
- **Credit policy is required to change after the GFE is issued due to regulatory changes such as fees charged by government agencies for recording fees or taxes change after the GFE is issued**

## **NOT CONSIDERED A CHANGED CIRCUMSTANCE**

- **A mortgage broker issues a GFE that a lender does not accept and the lender does not receive the application within three days of the date the broker received the application**
- **A mortgage broker issues a GFE based on one lender's loan products and origination fees, but places the loan with a different lender**
- **If the borrower selects a service provider that was not selected or identified by the loan originator**
- **If the borrower initially selects a service provider not on the loan originator's written list, but then chooses to use a service provider identified by the loan originator**

## PRICING SCENARIO #1 – Retail

### Retail Pricing

**Loan Amount**                      **\$200,000**  
**Interest Rate**                      **5.00%**  
**Origination Point 1% =**      **\$2,000**  
**Administrative Fee**                **\$500**

### Retail Disclosure

| Your Adjusted Origination Charges   |                    |
|---|--------------------|
| <b>1. Our origination charge</b><br>This charge is for getting this loan for you.   | <b>\$2,500.00</b>  |
| <b>2. Your credit or charge (points) for the specific interest rate chosen</b><br><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.)<br><input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This credit reduces your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) increases your total settlement charges.<br>The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan. | <b>\$0.00</b>      |
| <b>A</b> Your Adjusted Origination Charges  | <b>\$ 2,500.00</b> |

## PRICING SCENARIO #1 - Wholesale

### Wholesale Pricing

|                                  |                                       |
|----------------------------------|---------------------------------------|
| <b>Loan Amount</b>               | <b>\$200,000</b>                      |
| <b>Interest Rate</b>             | <b>5.00%</b>                          |
| <b>Yield Spread Premium 1% =</b> | <b>(\$2,000)</b>                      |
| <b>Broker Compensation</b>       | <b>\$4,000 + \$200 Processing Fee</b> |
| <b>Lender Administrative Fee</b> | <b>\$300</b>                          |

### Your Adjusted Origination Charges

|  |  |
|--|--|
| <b>1. Our origination charge</b><br>This charge is for getting this loan for you.  | \$4,500.00                               |
| <b>2. Your credit or charge (points) for the specific interest rate chosen</b><br><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.)<br><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"/> %.<br>This credit reduces your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) increases your total settlement charges.<br>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                              |
| <b>A</b>   | <b>Your Adjusted Origination Charges</b> |
|  | <b>\$ 2,500.00</b>                       |

## PRICING SCENARIO #1 – Comparison

### RETAIL DISCLOSURE

| Your Adjusted Origination Charges   |             |
|---|-------------|
| 1. <b>Our origination charge</b><br>This charge is for getting this loan for you.   | \$2,500.00  |
| 2. <b>Your credit or charge (points) for the specific interest rate chosen</b><br><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.)<br><input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This credit reduces your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) increases your total settlement charges.<br>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      |
| <b>A</b> Your Adjusted Origination Charges  | \$ 2,500.00 |

### WHOLESALE DISCLOSURE

| Your Adjusted Origination Charges  |             |
|--|-------------|
| 1. <b>Our origination charge</b><br>This charge is for getting this loan for you.  | \$4,500.00  |
| 2. <b>Your credit or charge (points) for the specific interest rate chosen</b><br><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.)<br><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"/> %.<br>This credit reduces your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) increases your total settlement charges.<br>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 |
| <b>A</b> Your Adjusted Origination Charges   | \$ 2,500.00 |



## Wholesale Example #1, Changed Circumstances

|                                  |                                       |
|----------------------------------|---------------------------------------|
| <b>Loan Amount</b>               | <b>\$200,000</b>                      |
| <b>Interest Rate</b>             | <b>5.00%</b>                          |
| <b>Yield Spread Premium</b>      | <b>.5% = (\$1,000)</b>                |
| <b>Broker Compensation</b>       | <b>\$4,000 + \$200 processing fee</b> |
| <b>Lender Administrative Fee</b> | <b>\$300</b>                          |

### WHOLESALE DISCLOSURE

| Your Adjusted Origination Charges  |                    |
|--|--------------------|
| 1. <b>Our origination charge</b><br>This charge is for getting this loan for you.  | \$4,500.00         |
| 2. <b>Your credit or charge (points) for the specific interest rate chosen</b><br><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.)<br><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"/> %.<br>This credit <b>reduces</b> your settlement charges.<br><input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %.<br>This charge (points) <b>increases</b> your total settlement charges.<br>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        |
| <b>A</b> Your Adjusted Origination Charges   | <b>\$ 3,500.00</b> |



## HUD-1, Page 3 Comparison Chart – Retail

| Comparison of Good Faith Estimate (GFE) and HUD-1 Charges            |                          | Good Faith Estimate | HUD-1       |
|--|--------------------------|---------------------|-------------|
| <b>Charges That Cannot Increase</b>                                  | <b>HUD-1 Line Number</b> |                     |             |
| 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   |
|   | #      |                     |            |
|   | #      |                     |            |
| <b>Total</b>  |        | \$1,015.00          | \$1,440.00 |
| <b>Increase between GFE and HUD-1 Charges</b>       |        | \$ 425              | or 41 %    |

# CREDIT FOR VARIANCE

## HUD 1 Example

Showing a credit for variances outside of the tolerance

| 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 |               |          |

## RIGHT TO CURE

- **The lender is responsible for curing tolerance violations**
- **While HUD recommends that the lender cure the tolerance violation at closing, the lender has 30 calendar days to cure**
- **If there is an inadvertent or technical error on the HUD-1 originators may issue a revised HUD-1 to all parties within 30 calendar days after settlement**
- **If a tolerance would be violated, the settlement agent does not need to stop the closing**
- **If a charge on the HUD-1 is less than the charge on the GFE, it is not a tolerance violation (charges to the borrower decreased)**
- **The lender is responsible for making the reimbursement, but either the lender or a third party authorized by the lender (including the settlement agent) may send the reimbursement to the borrower**

## RIGHT TO CURE

- **If the charges are not properly calculated on the GFE and later result in a tolerance violation, the settlement agent is not responsible for paying the difference to the consumer**
- **If a loan originator pressures a settlement agent to reduce their charges or to “cover the difference” to bring the costs into compliance with the tolerances, it may be considered a potential violation of RESPA Section 8(a)**
- **If a settlement agent revises a HUD-1 to cure a technical error or to reflect a tolerance cure, the settlement agent may mark the HUD-1 as “Amended” to distinguish from the original HUD-1**
- **A credit for a tolerance cure may be listed on page 1 of the HUD-1 along with a description of the service(s) the credit is applied to**
- **HUD-1 Lines 801, 802 and 803 each have separate tolerance thresholds**

THANK YOU



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