

Bulletin

TO: New England Agents
FROM: Underwriting Department
DATE: January 5, 2010
SUBJECT: RESPA Reform – GFE and Third Party Settlement Service Provider List

Among the many changes brought about by the new RESPA Reform Rule is a requirement that loan originators deliver a list of third-party settlement service providers to borrowers concurrently with the GFE. This list is applicable to settlement services that are required, but for which the borrower may select their own provider. HUD has indicated that the provision of just a single settlement service provider will satisfy the list requirement.

The third-party provider list has caused some confusion among loan originators, who are accustomed to using approved vendor lists, from which deviation is typically not permitted. We have received reports that HUD's mandated third-party settlement services list has been misconstrued as an "approved vendor" list, thus resulting in loan originators precluding the use of off-list service providers.

The third-party provider list is **not** a regulatory decree that the use of off-list vendors is precluded. Rather, the new RESPA rule simply provides: "Where a loan originator permits a borrower to shop for third party settlement services, the loan originator must provide the borrower with a written list of settlement services providers at the time of the GFE, on a separate sheet of paper." It is our understanding that HUD views the list as means to provide consumers with the identity of a provider or providers that will perform the services within the tolerance range of the charge quoted in the GFE, and to foster greater shopping for services by the consumer. The list is neither all-inclusive, nor all-exclusive, but merely serves as an example. If a borrower chooses to use an on-list service provider, then the ten percent (10%) fee tolerance will apply. If, on the other hand, a borrower chooses its own off-list provider, the fee tolerance does not apply.

What do you do when a loan originator says, "I can't use you because you're not on the settlement service provider list?" Consider the following response: "It is our understanding that the list is provided to a borrower as a means of demonstrating one or more service providers whose fees will correspond with the GFE-disclosed fees, and is not designed to exclude vendors or otherwise limit a borrower's choice of settlement service providers."

Thank you for your attention to this Bulletin. And, should you have any questions or concerns, please contact your local Underwriting Department:

Massachusetts & Rhode Island – 800-370-6466

Marty Haller
Mike Gagnon
Anthony DeSantis

New Hampshire & Vermont – 800-884-8485

Jane O'Sullivan

Connecticut – 800-451-8597

Kevin Huben

Maine – 877-691-2932

Mike Power