



TITLE TALK

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Happy New HUD-1

... oh, um ... Happy New Year!

January 1, 2010 is quickly approaching as so is the implementation of the new GFE and HUD-1 Settlement Statement. In case you're one of those agents who thought that this would never happen and therefore, haven't put much thought into it, wake up! It is happening and it is starting in just a few short weeks.

We came up with a checklist of items that should be accomplished prior to the receipt of your first new HUD-1 package



Updated Software – for some this may mean updating services and hardware. Many agents neglected to complete incremental updates and now are discovering their software is so dated it is going to require new servers, computers and even conversion of files from the old format to new. Look into this today!



Get on Your Lenders' Preferred Lists – Have you spoken to the lenders who refer business to you now to ensure you are on their preferred list of settlement service providers? In addition, have you found an effective way to communicate your fees to them on each transaction? Did you provide the loan originators with a list of questions you need answered in order to provide an accurate quote: When was the last time the borrowers took out an institutional mortgage? How many mortgages are you paying off (to know how many overnight packages you need to send out)?



Training the Owners – While some owners may not be part of the day to day operations, it's imperative that you understand these changes.



Training the Employees – your HUD-1 preparation people AND closers need training! The new statement is not only different for those preparing the document, but also for those who are explaining it to borrowers. Have you decided as a company how you're going to explain the statement? Have you discussed how you're going to handle transactions that are out of tolerance?



Witness Closers – do you use a notary service? If so, have you asked what training methods they are using?

See Page 2 to take our 2010 HUD-1 Quiz. Are you ready?

Three Glenhardie Corporate Center • 1265 Drummers Lane, Suite 220 • Wayne, Pennsylvania 19087 • 610-687-8020
800-842-2080 • FAX 610-687-6056

Calder Square • PO Box 10326 • State College, Pennsylvania • 16805 • 814-238-3600 • FAX 814-238-3604

790 Holiday Drive, Pittsburgh, Pennsylvania 15220 • 877-596-1260 • FAX 412-921-6417

2010 HUD-1 Quiz - Test the Knowledge of Everyone in Your Office!

Answers found on Page 3

1. **A seller is going to pay for the title insurance. You indicate that on the HUD-1 as:**
 - A. Normal – putting those fees in the seller’s column
 - B. List it as a POC by Seller
 - C. You have to charge it to the borrower and add a credit on the first page.
2. **Which of the following is not included on line 1101?**
 - A. Notary fee paid directly to the notary
 - B. Lender Endorsements
 - C. Closing Service Letter
 - D. Attorney Fee for reviewing the contract for the borrowers
 - E. All are listed on line 1101
3. **The following fees can be shown in the 1300 section:**
 - A. Payment for taxes
 - B. Payment for credit cards
 - C. Termite Inspection
 - D. Realtor Conveyancing
 - E. All of the above
 - F. Only a – c
4. **When adding a credit on page 1 for fees paid by the seller you need to:**
 - A. Combine all the credits onto one line
 - B. Have one line per each credit
5. **If the lender is paying for a lender fee normally charged to the borrower (i.e. credit report, flood certification, processing, etc.) you should:**
 - A. List that as a POC by lender
 - B. Charge to the borrower and insert a credit in the 800 section
 - C. Charge to the borrower and insert a credit in the 1300 section
 - D. Charge to the borrower and insert a credit in the 200 section
6. **When preparing a HUD-1 for a first and second mortgage transaction you need to:**
 - A. Prepare one HUD-1 and indicated both loans in section 200
 - B. Prepare two HUD-1s – one for each transaction and reference the second mortgage on the first HUD.
 - C. Prepare two HUD-1s – one for each transaction without indicating the second mortgage on the first mortgage HUD-1.
7. **A realtor is requesting that the percentage of commission be shown in the 700 section. You do the following:**
 - A. Type it in 700 section
 - B. Inform the realtor that RESPA removed the percentage used to calculate the commission from the HUD-1.
8. **The realtor arrives at closing and requests reimbursement for U&O cert, conveyancing, and a MLS listing fees. Those fees are listed in the:**
 - A. 700 Section
 - B. 1300 Section
 - C. Either section – wherever the realtor wants it
 - D. Depends on who’s paying them. 700 section if paid by the borrower and 1300 section if paid by the seller
9. **On a purchase transaction an agent has an attorney prepare a mortgage satisfaction for the seller at a cost of \$50 and a deed for the borrower at a cost of \$75. The agent indicates these fees on the HUD as follows:**
 - A. A \$125 combined doc prep fee into line 1101 and indicates a seller credit for \$75 on page 1.
 - B. Insert a doc prep fee on line 1109 payable to the attorney indicating a payment of \$75 inside the column which is rolled into line 1101 and a \$50 fee in the seller column.
10. **A borrower obtained a “no cost” loan – meaning there are no origination fees. This is indicated on the HUD as follows:**
 - A. The fees are indicated on line 801, a credit equal to the amount on 801 is shown on line 802 and therefore a balance of \$0 appears on line 803.
 - B. The normal fees are charged on page 2 and an equal credit for those charges are placed on page 1.
 - C. The days of “no cost” loans are long gone.
11. **An agent prefers to use a HUD-1A for a refinance transaction. On this particular deal, the borrower paid for the appraisal and credit report fees outside of closing. The agent therefore indicates this as follows:**
 - A. Shows a credit on line 802
 - B. Shows a credit in the 1500 section
 - C. The agent can’t use the HUD-1A for this transaction and therefore issues the HUD-1 and shows a credit on line 204.
12. **The borrower paid for their homeowners insurance outside of closing, but the lender still wants it shown on the HUD. It appears as:**
 - A. A POC item as done on the “old” HUD
 - B. It’s charged to the borrower and a credit given on pg 1
 - C. Tell the lender that since it’s already paid for there’s no need to show it on the HUD and cause further confusion.

Credit Corner

Need credits? Take a look at these quick online resources:
www.pltionline.org

UPCOMING SEMINARS:

January 12, 2010

PLTA Mid-Year Meeting

Further Information and Register at www.plta.org

**RESPA Reform
2 CE/CLE Credits**

Hosted by PLTI

Further Information and Register at www.plta.org

Jan. 14—Camp Hill

Jan. 20—Pittsburgh

Quiz Answers:

1. C - Any fee that appears on the GFE cannot be paid by the seller in the seller's column. The fee must be charged to the borrower and a credit shown on page 1.
2. D - Only fees related to title insurance services are rolled into line 1101. An attorney reviewing a contract is not part of title services.
3. F - No realtor fees can be shown in the 1300 section
4. A - The seller credit does not need to be itemized on page 1
5. D - A lender paid fee is indicated the same way as a seller paid fee: charged to the borrower and credited on page 1.
6. B - Two loans, two HUD-1's and you need to reference the second mortgage on the HUD-1 for the first mortgage. The HUD-1 for the second mortgage should include a debit to the borrower in the 100 section equal to the cash out; therefore, indicating cash to borrower as \$0. That credit is indicated in the 200 section on the HUD-1 for the first mortgage.
7. B - RESPA removed the percentage figure
8. A - ALL realtor fees must appear in the 700 section
9. B - Fees charged to the borrower and paid to a third party must be itemized in the 1100 section with the specific fee indicated inside the column.
10. A - Only in a "no-cost" loan situation are the fees credited on line 802. If the lender is paying one or more fees for the borrower, a credit must be indicated in the 200 section.
11. C - If there is a credit to the borrower it must be shown in the 200 section. Because the HUD-1A does not have a 200 section, a HUD-1 must be used in those situations.
12. A - Homeowner's Insurance is not a fee listed on the GFE and therefore can be shown as a "POC by Borrower" item.

FBI Press Release Regarding Mortgage Foreclosure Scheme in Bucks County

The FBI issued a press release on December 8, 2009 indicating that "a 15-count indictment was filed against five defendants charged in a \$14.6 million mortgage fraud scheme that resulted in at least 35 fraudulent mortgage loans. Charged are Edward G. McCusker and John Alford Bariana, owners of Axxium Mortgage, Inc., McCusker's wife, Jacqueline, and Jeffrey A. Bennett and Stephen G. Doherty, owners of the Doylestown law firm Bennett & Doherty, P.C.

According to the indictment, the defendants targeted financially distressed homeowners facing foreclosure, falsely promised them help in saving their homes, engaged in real estate transactions with straw purchasers, and obtained dozens of fraudulent mortgages. The defendants took whatever equity the homeowner had left, funneled it through various shell corporations they controlled, used some of it to pay the new mortgages, and put the rest of the equity into their own bank accounts.

"Unfortunately, the downturn in the economy has given rise to unscrupulous predators looking to cash in on the misfortune of others," said [United States Attorney Michael] Levy. "This sort of fraudulent activity not only preys on desperate homeowners, it weakens our financial institutions, destroys neighborhoods by leaving properties abandoned, and devalues the homes of innocent neighbors. This office will investigate and prosecute those who victimize financially distressed homeowners."

The indictment alleges that the defendants promised financially distressed homeowners that they would find an "investor" who would help them save their home. The defendants would then arrange for a straw purchaser to obtain a fraudulent mortgage and then transfer of the title of the homeowner's residence to the straw purchaser. Using their company Axxium Mortgage, Edward McCusker and Bariana, along with Jacqueline McCusker obtained the fraudulent mortgages by submitting false documents to mortgage lenders and making false claims about the straw purchasers' finances. The defendants also concealed from the lender the fact that the homeowner was going to continue to reside in the home and that the mortgage payments were going to continue to be made, in part, by the distressed homeowner and funneled through the straw purchaser. Bariana and Jacqueline McCusker each acted as straw purchasers for 10 homes. The defendants also recruited at least seven other persons to act as straw owners in order to obtain additional fraudulent mortgages.

Bennett and Doherty participated in the scheme at the front and back end. Doherty solicited and referred distressed homeowners to Edward McCusker and used fraudulent bankruptcy filings for some of the distressed homeowners to delay foreclosure until McCusker had obtained an investor and a mortgage. Bennett handled the closings for the real estate transfers, manipulating the information provided to the lender in order to hide the nature of the scheme until after the loan was funded.

The defendants are charged with conspiracy to commit mail and wire fraud, mail and wire fraud, and conspiracy to commit money laundering. Doherty is also charged with bankruptcy fraud."

Be cautious of transactions regarding foreclosure properties, especially if the buyer indicates during the closing that their plans are to remain a resident in the property. Should you have any questions, don't hesitate to contact our state counsel.



What Agents Say About Old Republic Title . . .

"Old Republic Title is a good fit for All Service Abstract. I personally feel far more informed than I ever have been in the past. The newsletter is great and helps me educate myself on future changes. I love the web site and all of the information available to me and my staff. I am quite happy with Old Republic Title."

Diane F. Flaherty
All Service Abstract, Inc.

Call 800-842-2080 to learn more!

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Old Republic National Title Insurance Company

Three Glenhardie Corporate Center
1265 Drummers Lane, Suite 220
Wayne, PA 19087

