

## Appendix A

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### **HUD TO SEEK COMMENT ON RESPA'S "REQUIRED USE" DEFINITION** *All Other RESPA Provisions Remain on Implementation Track*

WASHINGTON- The U.S. Department of Housing and Urban Development today announced that it intends to seek further public comment on how it should define the scope of a prohibited practice called "required use" under the *Real Estate Settlement Procedures Act (RESPA)*. HUD will delay the planned implementation of RESPA's required use provision for 90 days, or until July 16th, as it solicits public comment on whether to withdraw its new definition that would have taken effect in January.

**HUD's notice** will inform consumers and the mortgage industry of its intent to further delay the effective date of the required use definition and seek additional public comment as a result of a legal challenge led by the National Association of Home Builders. New rulemaking would give HUD the opportunity to present for public consideration a new proposal based upon HUD's reevaluation of the provision and desire to provide better consumer protections.

Last year, HUD proposed changing this required use definition to help consumers shop more effectively for homes, mortgages and settlement services that are best for them, free from the influence of disingenuous discounts and incentives that steer consumers to the use of affiliated businesses. HUD's final rule revised the definition of "required use" to enhance consumer protections against certain practices conducted by affiliated business arrangements.

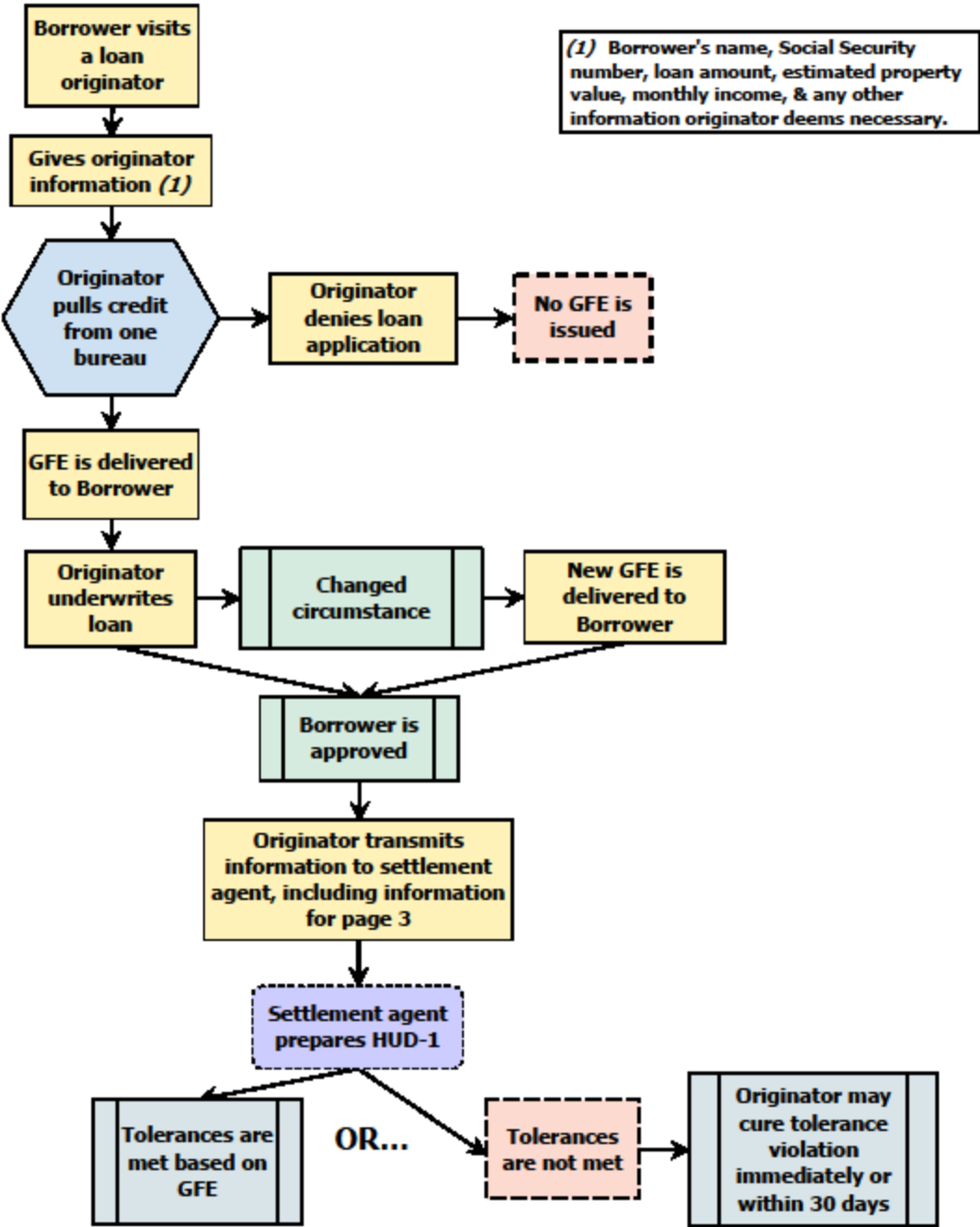
HUD believes that some businesses have used the affiliated business arrangement exception under Section 8 of RESPA to steer consumers to affiliated settlement service providers that may not provide the best mortgage products or settlement services for those consumers. A number of such complaints concern builders, who are in a position to refer settlement service business to their affiliated mortgage and title companies.

**Appendix A-1**

<http://www.hud.gov/news/requireduserule.pdf>

**Appendix B - Good Faith Estimate Process Flowchart**

# GFE Process Flowchart



# Appendix C – Lender’s Good Faith Estimate

OMB Approval No. 2502-0265



## Good Faith Estimate (GFE)

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

**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](http://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**

<b>A</b>	Your Adjusted Origination Charges (See page 2)	\$
<b>B</b>	Your Charges for All Other Settlement Services (See page 2)	\$
<b>A + B</b>	<b>Total Estimated Settlement Charges</b>	\$

**Appendix D – HUD-1**



# A. Settlement Statement (HUD-1)

B. Type of Loan							
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:		
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.						
<b>C. Note:</b> 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.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.							
D. Name & Address of Borrower:			E. Name & Address of Seller:			F. Name & Address of Lender:	
G. Property Location:			H. Settlement Agent:			I. Settlement Date:	
			Place of Settlement:				

J. Summary of Borrower's Transaction	
<b>100. Gross Amount Due from Borrower</b>	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
<b>Adjustment for items paid by seller in advance</b>	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
<b>120. Gross Amount Due from Borrower</b>	
<b>200. Amounts Paid by or in Behalf of Borrower</b>	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
<b>Adjustments for items unpaid by seller</b>	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
<b>220. Total Paid by/for Borrower</b>	
<b>300. Cash at Settlement from/to Borrower</b>	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220)	( )
<b>303. Cash</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	

K. Summary of Seller's Transaction	
<b>400. Gross Amount Due to Seller</b>	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
<b>Adjustments for items paid by seller in advance</b>	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
<b>420. Gross Amount Due to Seller</b>	
<b>500. Reductions in Amount Due to Seller</b>	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
<b>Adjustments for items unpaid by seller</b>	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
<b>520. Total Reduction Amount Due Seller</b>	
<b>600. Cash at Settlement to/from Seller</b>	
601. Gross amount due to seller (line 420)	
602. Less reductions in amount due seller (line 520)	( )
<b>603. Cash</b> <input type="checkbox"/> To <input type="checkbox"/> From Seller	

The Public Reporting Burden for this collection of information is estimated to average 35 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 RESPA covered transaction with information during the settlement process.

## **Appendix E ALTA Q & A**

### **HUD Releases Final RESPA Rule © ALTA, 2008**

On November 12, 2008, HUD released its final RESPA rule. To help members understand the new rule and its implications for the title industry, ALTA hosted a “webinar” on Dec. 3 with HUD representatives Barton Shapiro, deputy director; Ivy Jackson, director, RESPA and Interstate Land Sales; and Laura Gipe, compliance specialist.

#### **Conference participants submitted questions in advance and during the session, a summary of which follows.**

1. The agent/underwriter split is a contractual matter, and no other line of insurance is required to disclose this information. Why did HUD make this a requirement?

The GAO report recommended this disclosure, which HUD has authority to require.

2. What if the settlement agent doesn't know? Is it their responsibility to get this information?

Attorneys and escrow agents are not exempt and are responsible for disclosing that information.

3. Who is responsible for determining if tolerances have been exceeded?

The settlement agent must list items on the GFE that were provided by the lender, run the calculations, and determine if tolerances have been exceeded. It is then the responsibility of the lender to reimburse the borrower.

4. Who contacts the lender for a reimbursement?

Either the settlement agent or the borrower can do it. The lender will want to respond within 30 days because HUD will be conducting regular audits.

5. So the borrower or settlement agent contacts the lender, and the lender says it will take care of it within 30 days. In order for the HUD-1 to compare to the GFE, do we have to redo the documents, and, if so, who pays for the second settlement?

You only need to reissue the HUD-1, which doesn't require signatures. Both the lender and borrower get a copy of the new HUD-1. This should encourage greater communication between the lender and settlement agent because it's better to have the information up front so you don't get into technical issues.

6. If the lender reimburses the borrower directly and doesn't notify the settlement agent, is the agent still responsible for the new HUD-1?

If you don't know about it, you're not responsible, but the lender is going to want a new HUD-1 in case the regulator pulls the file.

7. Recording fees aren't known until the actual documents are recorded. If the lender estimates them at \$100, and they are actually \$200, is the lender responsible for the

overage?

If the lender provided the estimate then the lender is responsible, but this is one of the items that can be averaged if the lender is using this mechanism.

8. We didn't see signature lines on the HUD-1. Was this a mistake?

There is no statutory requirement for signatures on the HUD-1.

9. For cost averaging, can you better define what a category is? Is it a city, county, state?

The settlement service provider determines the class of service, geographic area, and the type of loan, limited to a specific time frame, and establishes an average cost or charge.

10. Where are attorney's fees disclosed on the GFE and HUD-1?

If the attorney is the closing agent, fees are included in the settlement charges. If the seller has an attorney, the charge is listed outside the column but itemized in title charges. If the borrower is bringing an attorney to the table in addition to the settlement agent, it would be listed under miscellaneous. Transfer taxes vary by local jurisdiction.

11. What if the lender doesn't know them and doesn't include them on the GFE? Is this the responsibility of the lender or the settlement agent?

It's the responsibility of the lenders to know what those are. If they aren't sure, they should find out.

12. If there is a change because a municipality raised its fees, is the lender allowed to issue a new GFE?

If it exceeds the tolerance, the lender will want to issue a new GFE

13. To avoid mistakes in transferring information to the HUD-1, should settlement agents require lenders to fill out that form?

Lenders may choose to, but it's the settlement agent's responsibility to transfer the information, the same as it's done today.

14. Since there is tremendous responsibility on the lenders, wouldn't they want to steer everything to an affiliated business to avoid mistakes?

The lender will want to steer business to settlement agents who provide good service, accuracy, and communication.

15. If a mortgage broker filled out the GFE, who is responsible for overages?

If the lender accepts the GFE, then the lender is responsible.

16. Do the same tolerances apply to seller's charges or just the borrower's?

The GFE requires that charges be listed that the borrower paid. Things that the seller agrees to pay must still be listed for comparability, but then shown as a credit.

17. If the borrower chooses the title company, is the lender responsible for meeting the tolerance?

If the borrower chooses the provider, the lender is not responsible.