

## RESPA Reform 2010 – New GFE & HUD-1

The U.S. Department of Housing and Urban Development (HUD) requires that lender and mortgage brokers provide borrowers with a new Good Faith Estimate (GFE) that clearly discloses loan terms and closing costs. Closing agents will also be required to provide borrowers a new HUD-1 Settlement Statement that compares borrower's final and estimated costs.

**EFFECTIVE DATE:** Good Faith Estimate issue on or after **January 1, 2010**

### 1. NEW GOOD FAITH ESTIMATE (GFE)

Effective January 1, 2010, the New GFE (3 pages) must be issued to the borrower within 3 days of receiving a borrower application.

- All lender and mortgage broker fees must be combined and shown as a single amount – now called “Our Origination Charges.” This charge will include lender fee, mortgage broker fee, and mortgage broker compensation.
- The mortgage broker and lender are bound by initial GFE, unless there are “changed circumstances” as defined under RESPA Reform.
- The GFE can only be re-issued if there is a valid “changed circumstance.”

### 2. SETTLEMENT SERVICE PROVIDER LIST

The Settlement Service Provider List must be provided to the borrower, along with the GFE, on a separate sheet of paper.

- This pertains to any settlement service where the service is required but the borrower can select a provider (i.e. title, escrow, pest inspection)
- If the borrower selects a service provider from the list, the charges associated with that provider are subject to fee tolerances.
- If the borrower selects a service provider not on the list, the settlement service is not subject to the tolerance.
- Broker must provide the Settlement Service Provider List along with the GFE at the time of loan submission to PMC.

### 3. CHANGED CIRCUMSTANCES

Both mortgage brokers and lenders are bound to fees disclosed on the initial GFE, except in certain situations where there are “changed circumstances” associated with a loan.

- Act of God, war or disaster
- Inaccurate information
- Changed information
- Transactional circumstances
- A lock event (locking the rate or expiration of the lock)

Please refer to FAQ (Pg 14) from HUD Website for details. [Here](#)

## 4. RE-DISCLOSURE OF GFE

If a changed circumstance occurs, brokers should notify PMC Bancorp right away by submitting the [changed request / changed circumstance form](#), posted on our website. Make sure to list any changed fees associated with the changed circumstance on the form. After review and re-underwrite of the loan, based on a valid changed circumstance, PMC Bancorp will re-disclose the revised GFE to the borrower as well as to the broker within 3 business days.

## 5. FEE TOLERANCES

### 1) Charges that **cannot** increase at settlement:

- Our Origination charge
- Your credit or charge (points) for the specific interest rate chosen (after the rate is locked)
- Adjusted origination charges (after the rate is locked)
- Transfer Taxes

### 2) **Total** of these charges **cannot** increase more than **10%** at settlement:

- Required settlement services that the lender selects, such as appraisal services
- Title services and lender's title insurance (if selected by lender or if the borrower uses a company identified on the Settlement Services Provider List)
- Owner's title insurance (if the borrower uses a company identified on the settlement service provider list identified)
- Required settlement services (such as pest inspections) that the borrower selects from the settlement service provider list.
- Government recording charges

### 3) Charges that can increase at settlement:

- Required settlement services that the borrower can select, if the borrower selects a service provider not listed on the settlement service provider list
- Title services and lender's title insurance, if the borrower selects a service provider not listed on the settlement service provider list.
- Owner's title insurance, if the borrower selects a service provider not listed on the settlement service provider list.
- Initial deposit for borrower impound/escrow account

- Daily interest charges
- Homeowner's insurance

### **What happens if you are out of tolerance?**

If a violation of the tolerances for charges listed on the GFE occurs, loan originators may cure the violation by reimbursing the borrower for the excess amount of the charges at settlement or within 30 calendar days after settlement. If the broker is responsible for the error, broker is required to provide credit to the transaction at settlement.

The final RESPA Rule, most current RESPA rule FAQs can be accessed from HUD official RESPA Home Page [here](#).

## **6. USEFUL RESOURCES (RESPA REFORM 2010)**

[New GFE Form 2010](#)

[New HUD-1 Form 2010](#)

[Settlement Service Provider List](#)

[Completed GFE Sample](#)

[Completed HUD-1 Sample](#)

[How to Complete New GFE 2010](#)

[Changed Circumstances](#)

[RESPA 2010 Official HUD Website](#)