

Summary — MBA Options for RESPA Reform



Introduction

The Mortgage Bankers Association (MBA) is asking its members to comment on three options for Real Estate Settlement Procedures Act (RESPA) reform. These options were developed by a task force representing a cross section of MBA members under the leadership of MBA Chairman Regina Lowrie, in response to indications that the Department of Housing and Urban Development (HUD) intends to go forward with RESPA reform.

Threshold Determination

The threshold determination for consideration by HUD is whether it should go forward with reform at all through rulemaking or let the market proceed as it has been in reforming itself. MBA has long supported improvement in the mortgage process for consumers. However, MBA believes there are compelling cost and other considerations, also in the interests of consumers, that might lead HUD to conclude that it should forego RESPA reform through rulemaking. HUD would then let the market continue to operate, innovate and simplify the mortgage process under the current rules.

If HUD chooses to revise the current rules, it could pursue one or more of the following options. These options, though costly to implement, would serve the interests of making the mortgage process more transparent and efficient and foster innovation to lower costs for consumers. Under MBA's proposal, HUD could choose to implement Option 1 — revising the forms and attendant requirements — without implementing the other two options. If HUD seeks broader reform — including the imposition of tolerances — it could implement Option 1 along with Option 2, or Option 1 along with both Options 2 and 3. The options are summarized below.

Option 1 — Improving the Forms and Making Related Changes in the Rules.

HUD would establish a new standard Good Faith Estimate (GFE) form to be given to all borrowers at the time of mortgage application and a revised HUD-1 to be given to all borrowers at settlement. This option would:

- Establish the GFE as a standard one-page form to disclose the settlement costs for a mortgage to a consumer along

with relevant rate and loan characteristics so that the consumer can effectively shop among mortgage products for the best deal;

- Disclose to the borrower on the GFE payments from lenders to mortgage brokers in a manner that would inform the borrower of such payments but not confuse the borrower and undermine competition;
- Make both the GFE and HUD-1 easily comparable to each other to allow a consumer to easily compare the estimated charges that are provided at time of application with the final charges at settlement;
- Make necessary rules changes to disclose costs to consumers on both forms in nine major cost categories including lender, mortgage broker, third party and title charges, as well as identifying charges that are included in and excluded from the finance charge for purposes of computing the Annual Percentage Rate (APR) under the Truth in Lending Act (TILA), rather than itemizing the cost of each and every settlement service; and
- By changing the disclosures as described, stem "junk fees," increase market competition to lower costs, and facilitate computation of the APR under TILA.

Option 2 — Establishing Tolerances for Lender and Broker Charges and Making All Categories of Charges More Realistic Estimates.

In addition to implementing Option 1, HUD would establish reasonable tolerances to limit increases in lender and mortgage broker charges to a 2 percent increase from the time a consumer applies for a mortgage through settlement. As both a practical and legal necessity to establish the tolerances and to make them workable, HUD would exercise its exemption authority to permit average-cost pricing and to provide an exemption from Section 8(b) of RESPA concerning mark-ups of third-party costs as long as the charges in each cost category are disclosed on the new GFE and HUD-1 and the tolerances are satisfied. HUD would also establish new implementing rules including an opportunity to cure any violations. These changes would make costs more predictable for both lenders and consumers as well as more transparent. Transparency and competition lower costs more effectively than regulation.

Option 3 – Establishing Tolerances for All Major Settlement Charges Except Government Charges and Pre-Paid Items to Provide Even Better Estimates.

In addition to implementing Options 1 and 2, HUD would establish reasonable tolerances to limit increases in third-party and title charges to a 10 percent increase overall. Also, to make these additional tolerances workable, HUD would exercise its exemption authority to permit volume discounts along with providing the exemptions for average-cost pricing and from Section 8(b). These changes would result in even greater cost predictability as well as transparency and competition lowering costs to consumers.

Implementation

Adoption of any of these options should be accompanied by a reasonable implementation period of at least one year. This recognizes the need of the industry to make systems changes as well as the time required to revise the *HUD Special Information Booklet*, consult with the Federal Reserve to coordinate its TILA guidance and, as necessary, preempt conflicting state laws.



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Full Description — MBA Options for RESPA Reform



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The threshold determination for consideration by HUD is whether it should go forward with reform at all through rulemaking or let the market proceed as it has been in reforming itself. MBA has long supported improvement in the mortgage process for consumers. However, MBA believes there are compelling cost and other considerations, also in the interests of consumers, that might lead HUD to conclude that it should forego RESPA reform through rulemaking. HUD would then let the market continue to operate, innovate and simplify the mortgage process under the current rules.

Last year, following the withdrawal of HUD's reform proposal, approximately 15 million mortgage loans were settled under the current RESPA rules. Since RESPA was enacted in 1974, hundreds of millions of other transactions have been carried out and homeownership has grown to unprecedented levels. While borrowers may gain a greater understanding of the mortgage process as a result of changes in the current system, under the current rules, competition and innovation in the mortgage market are resulting in greater transparency and lower costs to consumers. Any changes to the disclosure requirements, on the other hand, would necessitate spending an estimated one billion dollars in training and systems' retooling costs by almost 10,000 lenders as well as many thousands more loan correspondents and mortgage brokers. Such changes would also cause a high degree of confusion absent the expenditure of hundreds of millions of dollars for consumer education. These costs would ultimately be borne by the very consumers who the changes are meant to serve.

If HUD chooses to revise the current rules, it could pursue one or more of the following options. These options, though costly to implement, would serve the interests of making the mortgage process more transparent and efficient and foster innovation to lower costs for consumers. Under MBA's proposal, HUD could

choose to implement Option 1 — revising the forms and attendant requirements — without implementing the other two options. If HUD seeks broader reform — including the imposition of tolerances — it could implement Option 1 along with Option 2, or Option 1 along with both Options 2 and 3. The options are described below.

Options

Option 1 — Improving the Forms and Making Related Changes in the Rules.

Under Option 1, the new GFE would become a standard one-page form that would be provided nationally in all RESPA-covered mortgage transactions. It would:

- Describe that the GFE is an estimate, that it is arrived at based on information provided by the borrower and that it is conditioned on the borrower and property qualifying for the loan;
- Describe the characteristics of the particular loan — amount, term, whether it is FHA or conventional, whether it has prepay provisions, balloon or interest only features;
- Describe the interest rate, annual percentage rate (APR), discount points and estimated monthly payment;
- Disclose all settlement charges for the mortgage in nine major categories including lender origination charges; mortgage broker origination charges; credit, valuation and inspection charges; title charges; government recording and transfer charges; interest and mortgage insurance charges; flood and hazard insurance charges; escrow charges; and, other mortgage loan settlement charges (such as life-of-loan flood services); as well as identifying which of these charges are included in and excluded from the finance charge for purposes of computing the APR under the Truth in Lending Act (TILA);
- Disclose the maximum amount of any lender payments to mortgage brokers (ordinarily Yield Spread Premium (YSP)). Also, in the interest of facilitating both consumer understanding and fair competition, the form advises that: only mortgage brokers are required to disclose any payments from lenders when they arrange loans; that the YSP should not be used for comparison with lender loans; and borrowers should compare the rate, points and settlement costs of similar loans (as well as the APR) when they shop.

The new HUD-1 would mirror the GFE in disclosing final charges for the same cost categories.

Benefits of these Changes

- These steps alone would make the settlement cost disclosure process much more comprehensible and useful to consumers.
- The new GFE would tell borrowers what they need to know to shop and compare various loan offers.
- Because the GFE would be easily comparable to the HUD-1, both forms would empower borrowers to determine whether the final charges at settlement bear a reasonable relationship to the estimated costs in the GFE.
- By disclosing costs by major cost categories, rather than itemizing each and every sub-charge on both the GFE and HUD-1, the new forms would stem the proliferation of “junk” fees and market competitors would have to present their best price for each cost category, facilitating competition to lower costs.
- By separating charges that are included in and excluded from the finance charge, both forms would make it easier for industry, consumers and others to calculate the finance charge and the APR.

Required Regulatory Changes

HUD’s rules would require revision so that the new GFE and new HUD-1 would:

- Be used in all transactions covered by RESPA with the new GFE required at time of application and the new HUD-1 at settlement.
- Disclose totals for each of the nine categories of costs on both the GFE and HUD-1 rather than by separately listing each and every charge on either the GFE or the HUD-1.
- Not separately list each charge that is Paid Outside of Closing (POC) on the GFE form. Instead, require that such charges be included in the category totals and then subtracted from the gross amount to determine the amount required from the borrower at settlement and disclosed on the GFE and on the HUD-1.

For the new GFE, the rules also would:

- Provide that a loan originator could require the information it deemed necessary to issue a GFE to a borrower and the

rules also might offer an optional one-page shopping form for use by loan originators at their discretion;

- Not require the inclusion of any information about required service providers on the GFE. To the extent any information on required providers is necessary, it will be provided on a separate, simpler required provider disclosure.

Also, to effectively implement the new rules:

- A reasonable implementation period of one year is essential to make needed system changes and provide training for the new GFE and HUD-1 forms.
- The HUD Special Information Booklet must be revised to explain the new forms and their use, as well as the categories of settlement charges.
- Necessary consultation with the Federal Reserve should be completed prior to implementation to assure that the Board’s guidance concerning the TILA is consistent with HUD’s changes, including any requirements for TILA disclosures or calculation of the finance charge and APR.
- HUD should act to preempt state laws that conflict with the changes implemented, including any inconsistent disclosure laws, to assure consumers enjoy the greater protections offered by these changes.

Option 2 – Establishing Tolerances for Lender and Broker Charges and Making All Categories of Charges More Realistic Estimates.

- Under this option, in addition to the changes in Option 1, reasonable tolerances would be established for loan originator (lender and mortgage broker) charges. Under these tolerances, loan origination charges (except discount points when borrowers “float”) could not vary by more than 2 percent from the time the GFE is given until settlement as long as the borrower and property qualify for the loan and the borrower does not request a change in the loan described in the GFE.
- To make these tolerances workable and to provide simpler, clearer, figures for all cost categories, as well as to make them supportable under HUD’s RESPA authority, a limited Section 8 exemption would be provided to loan originators and other settlement service providers. The exemption would permit average-cost pricing of all cost categories, as defined in the final rules, and relief from interpretations of Section 8(b) of RESPA as defined in the final rules.

- Moreover, to make the tolerances workable, the rules would establish reasonable remedies if the tolerances are exceeded or the new rules are not otherwise satisfied by the party (lender or mortgage broker) whose fees exceeded the tolerance.

Benefits

- Borrowers would not confront any unreasonable increases in lender or mortgage broker charges at settlement from those originally offered in the GFE, as long as the borrower and property qualify for the loan specified in the GFE and the borrower does not request a change prior to settlement.
- The provision of a limited exemption for average-cost pricing and from Section 8(b) would result in clearer, more transparent costs to consumers in all categories of charges, which in the case of variable charges would be reduced through competition.
- Reasonable remedies, including a right to cure, would avoid unnecessary litigation that would increase costs to consumers.

Needed Regulatory Changes for Option 2

HUD's rules would be revised so:

- A 2 percent tolerance would be established for loan originators' (lenders' and mortgage brokers') charges, including any YSP from the time the GFE is given to the time of settlement, provided, the borrower and property qualifies for the loan and the borrower does not request a material change in the loan prior to settlement;
- The GFE would be open for acceptance for a minimum period of at least five calendar days;
- While the GFE would be given based on credit and/or other readily available information, it would be conditioned on final underwriting, concluding that the borrower and property qualified for the loan and that the borrower did not request a material change in the loan;
- Loan originators (lenders and mortgage brokers) would receive a limited Section 8 exemption for average-cost pricing of their own charges and the other categories of costs on the GFE as long as:
 - The overall amount for lender and broker charges at settlement is no greater than the amount on the GFE plus the tolerance, provided the borrower and property qualifies for the loan and the borrower does not request a material

change in the loan prior to settlement; and,

- The charges for each of the cost categories are generally (more than 80 percent) attributable to the sub-items of costs described in the category.
- Loan originators and others also would receive an exemption from Section 8(b) of RESPA concerning mark-ups of third party costs as long as the charges in each cost category are disclosed on the new GFE and HUD-1 and the tolerances are satisfied.

Where the tolerances are exceeded, the rules would:

- Allow prompt, non-judicial, corrective action by the originator (lender or mortgage broker) whose fees exceeded the tolerance to repay any overcharge with the amount due the borrower to increase if the originator does not repay within a fixed period;
- Include a one-year statute of limitations as provided by RESPA for a borrower to bring suit. The statute of limitations would begin to run at the end of the cure period or from an earlier date that the claim is denied and the borrower notified;
- Not provide any right of rescission of the loan based upon an excess of charges over the tolerances; and
- Not apply the tolerances where the borrower or property does not qualify for the loan or the borrower requests a material change in the loan prior to settlement.

Option 3 – Establishing Tolerances for All Major Settlement Charges Except Government Charges and Pre-Paid Items to Provide Even Better Estimates.

Under this option, in addition to the changes in Options 1 and 2, HUD's rules would be revised to:

- Establish an overall 10 percent tolerance for all third-party costs and title costs. Under this tolerance, the total amount of these charges could not vary by more than 10 percent from the time the GFE is given to the time of settlement as long as the borrower and property qualify for the loan described in the GFE, and the borrower does not request a change in such description.
- Make it possible for loan originators and other settlement service providers to control costs to meet the tolerances and to make the tolerances supportable under HUD's RESPA authority, a limited Section 8 exemption would be provided to loan originators and other settlement service providers. This exemption would permit them to arrange volume discounts to

obtain settlement services without regard to Section 8 along with the exemptions provided under Option 2.

Benefits

- With tolerances applicable to these cost categories, borrowers would not confront any significant increases in any major vendor costs, as long as the borrower and property qualify for the loan described in the GFE and the borrower does not request a material change prior to settlement.
- Volume discounts, which are legal in other sectors of the economy to lower costs, would be permitted in the settlement services sector to facilitate competition at the wholesale level to lower settlement costs to consumers.
- Cost predictability and competition would more effectively lower costs to consumers than any regulatory controls or monitoring measures.

Needed Regulatory Changes

- In addition to the provisions above, including a limited Section 8 exemption for average-cost pricing and from Section 8(b), HUD's rules would:
 - Establish a new overall 10 percent tolerance for third party and title costs;

- Provide a limited Section 8 exemption for volume discounts to obtain services that are subject to the tolerances that would provide:

- As long as the charges in each cost category are within the tolerances on the HUD-1, volume discounts would be permissible to help arrive at such charges, whether or not the charges in such categories are greater than the volume costs negotiated. And, no discount and thus no thing of value, for purposes of RESPA, would be found in any such difference even if the reason for such discounts are based on the delivery of a certain level of business.
- Not apply the tolerances where the borrower or property does not qualify for the loan or the borrower requests a material change in the loan prior to settlement.

Conclusion

MBA looks forward to members' input on these proposals. In light of such input, MBA will work with HUD to simplify and improve the mortgage disclosure process to lower costs for consumers. MBA also will meet with various participants in the mortgage and settlement services industries to develop consensus regarding its proposals.



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Outline of Proposed Legislation

“Mortgage Origination Clarity Act of 2007”

Consumers make good decisions when armed with good information. However, the mortgage process is so opaque and so complicated that predators can take advantage of unwary borrowers by hiding their bad deals in plain sight.

To address these concerns this legislation would:

- Require that disclosures in the mortgage process be streamlined, simplified and made much more effective so that they provide greater transparency and truly serve and protect consumers;
- Establish new requirements and penalties to assure that disclosures are properly given and that borrowers are not victimized by “bait and switch” tactics;
- Make changes to current law to facilitate these new initiatives;
- Establish an advisory group of industry, consumer and governmental representatives to simplify, harmonize and help cut back non-federal disclosures; and
- Authorize funds for consumer testing of new disclosures and for the new advisory group.

Specifically, the new law would:

- I. Amend Sections 4 and 5 of RESPA, 12 USC 2603 and 2604, to require that the Secretary and the Federal Reserve, in consultation with the other members of the Federal Financial Institutions Examination Council (FFIEC) and the Federal Trade Commission after seeking public comment for a reasonable time, prescribe:
 - a. A standard, one-page, box-type summary of the estimated costs and terms of each individual mortgage loan offer that would be given to a borrower with the Good Faith Estimate (GFE) and that would include: the estimated loan amount; note rate and Annual Percentage Rate (APR); the total settlement costs; whether the loan is adjustable and, if so, how frequently; whether the loan does or does not have a prepayment penalty with its duration and amount; whether the loan has a balloon payment with its timing and amount; and whether the lender automatically escrows taxes and insurance; and whether private mortgage insurance or a second mortgage is needed with its cost(s). This summary would indicate whether the costs are or are not guaranteed to come within 10 percent of

the final settlement costs subject to approval of the borrower and property securing the mortgage.

- b. Establish a new standard, brief plain language home purchase and mortgage financing handbook accompanying the new disclosure block, drawing from the current Special Information Booklet and the Consumer Handbook on Adjustable Rate Mortgages (CHARM) and other materials, to provide consumers generic information for both home purchase and mortgage refinance transactions that, among other things:
 1. Clearly describes the key terms and costs of homeownership including the down payment, monthly payments, settlement costs, taxes and insurance and other monthly charges;
 2. Advises consumers of the importance of credit history, down payment and adequate reserves in obtaining a lower cost mortgage and maintaining homeownership;
 3. Advises consumers of the risks and benefits of various mortgage products including providing information on payment adjustments, balloon payments, prepayment penalties, the need to pay taxes and insurance and the costs of no-documentation and low-documentation loans;
 4. Advises consumers of the differences between mortgage lenders and mortgage brokers, that only those mortgage brokers which identify themselves as such are borrowers' agents and the fact that all mortgage originators will receive additional income if a borrower agrees on a higher mortgage rate; and
 5. Would be given to consumers no later than the time of mortgage application.
 - c. Establish a new, combined, standard good faith estimate (GFE)/early TILA disclosure to be provided for each mortgage loan that is comparable to the HUD-1 and combines information from the current RESPA and TILA disclosures and the disclosure required under the recent FFIEC and CSBS/AARMR suggested guidance (Guidance) that:
 - i. Provides the note rate and APR for the loan, the estimated mortgage payment of principal and interest and estimated amounts for taxes and insurance (Estimated PITI);
 - ii. Groups key settlement costs into major categories based on which service provider receives them, discloses the total cost for each category and then totals them as a total estimated cost. These
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categories would include: fees paid to the mortgage originator, lender or broker, fees paid for title insurance and closing services, fees paid to other third parties and government charges;

- iii. Does not detail the sums for sub-costs within cost categories, except government charges, on the GFE or the HUD-1;
 - iv. Includes the maximum amount of compensation the mortgage broker will receive in the transaction;
 - v. Advises the borrower of possible payment shock, balloon payments, prepayment penalties, the cost of a no-doc or low-doc loan and the borrower's responsibility for taxes and insurance and mandatory homeowners' association dues or condominium fees, where applicable; and
 - vi. Such other information regarding the transaction as the Secretary and the Federal Reserve deems necessary for borrowers.
- d. Establish a standard form intended to replace disparate state disclosures, regarding the cost and function of the mortgage broker in the transaction that: notifies a consumer of the maximum amount the mortgage broker will receive in the transaction; whether a broker is or is not acting as an agent for the borrower; and whether the mortgage broker may increase its commission based on the borrower's agreement to an increased interest rate. This form will be provided by mortgage brokers in addition to the GFE disclosure.
- e. Establish a new combined HUD-1 and final TILA disclosure, for each mortgage loan covered by RESPA and TILA, that corresponds to a new standardized Good Faith Estimate (GFE)/early TILA form prescribed under Section 5 of RESPA (and described in Section III below) so that a borrower can readily compare both documents including both the estimated and final settlement costs.

The current HUD-1 is not comparable to the GFE. The consumer, therefore, is not able to make an apples-to-apples comparison of the fees and terms at settlement.

- f. Establish rules requiring that the total estimated settlement costs on a GFE shall not increase by more than 10 percent if the borrower qualifies for the loan on the GFE and does not choose another mortgage loan. In the event the borrower does not qualify for the loan estimated but qualifies for or chooses another loan, the borrower shall be provided a new GFE and the 10 percent tolerance shall apply to such loan.

These new rules will combine, simplify and measurably add to the certainty of disclosures.

- II. Establish penalties under Section 4 and 5, 12 USC 2603 and 12 USC 2604, as applicable for:
- a. Failing to provide a consumer the disclosures under 4 and 5 as applicable;
 - b. Failing to disclose the costs that the borrower is estimated to receive or is charged at closing on the HUD-1;
 - c. Charging the consumer at closing an amount 10 percent greater than the total cost of lender, mortgage broker, title and other third party fees that was estimated at the time of application, provided the borrower qualifies for the loan in final underwriting and does not request a different loan;
 - d. Charging a consumer more than the maximum amount of mortgage broker compensation disclosed; and
 - e. Wrongfully advising the consumer of the broker's function in the transaction; i.e., that he will shop for a borrower when he is not in fact an agent of the borrower. This provision may include a criminal penalty.
- III. Penalties under Section 4 and 5, 12 USC 2603 and 12 USC 2604, should be structured such that:
- a. The lender or mortgage broker has 60 days following the date of any violation to discern any such violation, whether or not the borrower reports the violation, make the correction and pay any overcharge;
 - b. If the borrower discovers the violation after 60 days but within 180 days, the lender or broker shall pay double the amount;
 - c. If the matter is not resolved, only after 180 days may the borrower sue for triple the amount of any overcharge and a penalty; and
 - d. The penalty for failing to give a GFE or the new block disclosure within three days of application would be \$500 and an additional \$100 for each day that it is late beyond three days up to ten days late for a maximum total fine of \$1,500 per loan.

NOTE: Although there are a range of penalties for referral fee and fee splitting violations under Section 8 of RESPA, RESPA does not currently contain any penalties for violating its disclosure requirements.

- IV. Amend Section 8 of RESPA, 12 USC 2607, to establish a new exemption from Section 8(b) for average cost pricing and to clarify that it is not a violation when there are not two parties splitting a fee, effective as soon as the new GFE is implemented.

Regulatory relief in these areas will facilitate the provision of the GFE. Borrowers are better served by the greater transparency and competition that these changes will bring rather than enforcement efforts concerning average cost pricing or mark-ups.

- V. Require the Secretary to propose for public comment rules on the applicability of Section 8 to Internet advertising and mortgage transactions within 12 months after enactment.

HUD has not issued guidance on Internet transactions which, if issued, could increase efficiency and lower costs to borrowers.

- VI. Amend the TILA, 15 USC 1601 *et seq.*, to provide that all settlement charges other than government charges must be included in the computation of the finance charge and the Annual Percentage Rate (APR) for the loan. The current APR is not a useful shopping tool since major settlement costs are not included in its calculation. An all-in APR would make the APR much more useful to borrowers for such purpose.

- VII. Also amend TILA and RESPA to make the terminology and coverage of the two laws consistent as to mortgage transactions. Also, amend both laws to make borrower remedies compatible without establishing a new right of rescission under RESPA.

- VIII. Amend Section 10 of RESPA, 12 USC 2609, to authorize the Secretary to require a disclosure to the borrower of:

- a. The borrower's responsibility to pay taxes, insurance and, where applicable, condominium or homeowner association fees;
- b. Whether the lender requires an escrow account for the borrower under the mortgage loan; and
- c. That the borrower may request establishment of an escrow account.

- IX. Amend Section 19 of RESPA, 12 USC 2617, to make clear that HUD's establishment of disclosures under Section 4, 5, 6 and 10 of RESPA preempts state disclosures concerning these subjects.

- X. Establish a deadline for HUD and the Federal Reserve's establishment of these new disclosures 18 months after the date of the new law's enactment.
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- XI. Establish an Advisory Board of industry, consumer, state and federal government and other public representatives to help simplify the mortgage process by:
- a. Assisting the development of these proposals;
 - b. Simplifying, harmonizing and cutting back non-federal mortgage disclosures; and
 - c. Assisting the development of borrower education concerning the new disclosures and the mortgage process.
- XII. Authorize \$ _____ for consumer testing of the new disclosures required under this law. Also authorize \$ _____ for costs necessary to carry out the work of the Advisory Board.

Good Faith Estimate of Mortgage Loan Settlement Charges (GFE)

Lender Name and Address	Mortgage Broker Name and Address	File Number
Buyer/Borrower Name and Address	Property Address	Date GFE Provided

About this GFE
 This is a Good Faith Estimate of Mortgage Loan Settlement Charges (GFE) from Us, the Originator, (Insert Name of Lender or Mortgage Broker), for a Mortgage Loan (Loan) as described in the Loan Description at the Proposed Interest Rate, Discount Points and Monthly Payment below. This estimate is based on the information You (Buyer/Borrower) provided Us. If You decide to use Us for the Loan in this GFE, necessary additional information will be considered in Loan Underwriting to determine whether You and the property qualify for this Loan and the terms and interest rate You may be charged.

Loan Description

Proposed Mortgage Loan Amount \$ _____ Term _____ years

Conventional FHA FSA/RHS VA Other/Product Type _____

Fixed Rate Adjustable Rate (See disclosure for adjustment terms)

Prepayment Penalty Yes No Balloon Payment Yes No Interest Only Payments Yes No
 (For all or part of loan)

Proposed Interest Rate, Discount Points and Monthly Payment

Proposed Interest Rate _____% Annual Percentage Rate (APR) _____%
 (See Truth in Lending Act disclosure)

Discount Points _____% Estimated Monthly Payment \$ _____
 (Included in settlement costs below)

The Actual Interest Rate for your loan may vary from the Proposed Interest Rate above based on a detailed evaluation of your application. The Interest Rate, Points and Monthly Payment for this loan also may float or change unless You lock in a rate and your loan terms. The Lender may also charge a fee when you lock in if this box is checked . If you choose an Adjustable Rate Mortgage your Interest Rate and Monthly Payments may increase after closing. See the ARM disclosure for these terms.

Your Estimated Monthly Payment is the Initial Payment only and includes principal, if any, and interest. In the case of an Adjustable Rate or Payment Mortgage, the Estimated Monthly Payment does not reflect any subsequent rate or payment adjustments under your loan. Your Actual Monthly Payment may be greater because it may include taxes, hazard insurance, other amounts (e.g. association dues) and, if this box is checked , mortgage insurance. In any case, Your Actual Monthly Payment will be computed based on the amounts actually required under your Loan and will be provided at closing. [At this time, we estimate that your Actual Monthly Payment will total \$ _____, which will include \$ _____ in principal, if any, and interest, \$ _____ in taxes, \$ _____ for hazard insurance, \$ _____ for other amounts (e.g. association dues) and \$ _____ for mortgage insurance.]

M-3. Mortgage Loan Settlement Charges to Be Paid by You COMPARE THESE COSTS TO M-3 (800-1400) ON SETTLEMENT STATEMENT (HUD-1)
 Note: Charges marked with a † are used to calculate the finance charge and APR under the Truth in Lending Act (TILA).

800. Lender Origination Charges includes the charges in A-1–A-3 below† \$ _____

A-1. Lender Charges for loan origination and other Lender services† \$ _____

A-2. Discount Points paid to reduce your interest rate† _____% / \$ _____ Note: This amount will vary until You lock in your rate and terms.

A-3. Rate Lock paid to lock in your interest rate† _____% / \$ _____ Note: If you choose to lock in later, the Lender may charge an additional fee based on the term of the lock.

850. Mortgage Broker Origination Charges to be paid directly by You to the Mortgage Broker for loan origination and other Mortgage Broker services† \$ _____

Note: Originators (Lenders and Mortgage Brokers) may receive compensation [in addition to the amounts in 800 and 850 above] based upon the interest rate and points You agree to, or on another basis. Federal law generally requires a Mortgage Broker to disclose the amount of such compensation when a Mortgage Broker arranges a loan for You and is also compensated by a Lender. The Mortgage Broker's compensation from the Lender for this Loan will be no greater than \$ _____ or _____% of the total loan amount. This amount is not included in the Mortgage Broker Origination Charges at 850 above because it is paid by the Lender directly to the Mortgage Broker. It should not be considered in comparing loans from Lenders.

The best way to shop for Mortgage Loans among all Originators is to compare the interest rate, points and settlement charges for similar loans, as well as the APR.

900. Credit, Valuation and Inspection Charges for credit reports, property valuation inspections \$ _____

1000. Title Charges for title insurance, title related services and closing services \$ _____
 Note: If you are refinancing you may be entitled to a reduced title insurance premium.
 Charges for Owner's Title Insurance Coverage of \$ _____ are included in this amount
 Charges for closing agent to attend closing of \$ _____ are included in this amount†

1100. Government Recording and Transfer Charges for this transaction \$ _____

1200. Interest and Mortgage Insurance Charges to be paid in advance† \$ _____

1250. Taxes, Flood and Hazard Insurance Charges to be paid in advance \$ _____
 Your premium for hazard insurance is not included if this is a refinance transaction. You will be required, however, to provide evidence of adequate hazard insurance prior to closing

1300. Escrow Charges/Reserves to establish an escrow account to pay taxes, insurance premiums and other charges \$ _____
 Mortgage insurance premium reserves of \$ _____ are included in this amount.

1350. Other Mortgage Loan Settlement Charges such as life-of-loan flood and tax services, wire transfer and other miscellaneous services not covered above† \$ _____

Total Estimated Mortgage Loan Settlement Charges \$ _____
 Minus Mortgage Loan Settlement Costs Paid by Borrower before Closing — \$ _____
 Minus Any Credit from Lender — \$ _____

1400. Mortgage Loan Settlement Charges to Borrower \$ _____

You are responsible for the amount in 1400 above for Mortgage Loan Settlement Charges. You may be able to finance all or part of these charges. In a purchase transaction, You should review your sales contract to determine how much your down payment is, how much you have already paid as a deposit and any settlement charges listed above that the seller will pay and any other adjustments to determine how much you will be responsible for at settlement. [We estimate this total amount to be \$ _____, your settlement charges plus your down payment of \$ _____ minus your deposit and other adjustments of \$ _____.]

Using this GFE
 The best way to shop for Mortgage Loans among all Originators is by comparing the interest rate, points and settlement charges for similar loans, as well as the APR. You may use this GFE and material provided in the HUD Special Information Booklet at www.hud.gov and the Truth in Lending Act disclosures for this purpose. Also, if You decide to use Us for the Loan, qualify for this Loan and do not request a material change in the Loan, You can compare the Mortgage Loan Settlement Charges in this GFE to the Mortgage Loan Settlement Charges on your HUD-1.

[Borrower(s) Signature _____ Date _____ [Lender] or [Mortgage Broker] (Originator) Signature _____ Date _____]

A. Settlement Statement (HUD-1)

File Number	MI Number	Loan Number
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B. Lender Name and Address	C. Mortgage Broker Name and Address	D. Settlement Date
		E. Settlement Agent
F. Buyer/Borrower Name and Address	G. Seller Name and Address	H. Property Address

I. Loan Description

Mortgage Loan Amount \$ _____ Term _____ years

Conventional FHA FSA/RHS VA Other/Product Type _____

Fixed Rate Adjustable Rate (See disclosure for adjustment terms)

Prepayment Penalty Yes No Balloon Payment Yes No Interest Only Payments Yes No
(For all or part of loan)

J. Interest Rate, Discount Points and Monthly Payment

Interest Rate _____% Annual Percentage Rate (APR) _____%
(See Truth in Lending Act disclosure)

Discount Points _____% Actual Monthly Payment \$ _____
(Included in settlement costs below)

The Actual Monthly Payment above includes \$ _____ in principal, if any, and interest, \$ _____ in taxes, \$ _____ for insurance, \$ _____ for other amounts and \$ _____ for mortgage insurance. If your loan is an Adjustable Rate Mortgage, see the terms for your loan program regarding future payments. In the case of an Adjustable Rate or Payment Mortgage, the Actual Monthly Payment above is an initial payment only and does not reflect any subsequent interest rate or payment adjustments on your loan.

K. Summary of Borrower's Transaction		L. Summary of Seller's Transaction	
100. Gross Amount Due from Borrower		400. Gross Amount Due to Seller	
101. Contract Sales Price		401. Contract sales price	
102. Personal Property		402. Personal property	
103. Settlement Charges to Borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City Taxes	to	406. City/town taxes	to
107. County Taxes	to	407. County Taxes	to
108. Assessments	to	408. Assessments	to
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower		420. Gross Amount Due to Seller	
200. Amounts Paid by or on behalf of Borrower		500. Reduction in Amount Due to Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing amounts taken subject to		503. Existing loans taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes	to	510. City/town taxes	to
211. County taxes	to	511. County taxes	to
212. Assessments	to	512. Assessments	to
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	
300. Cash at Settlement From/To Borrower		600. Cash at Settlement To/From Borrower	
301. Gross Amount Due from Borrower		601. Gross Amount Due to Seller (line 420)	
302. Less Amounts paid By/For Borrower (line 220)		602. Less Reductions in Amount Due Seller (line 520)	
303. Cash _____ From _____ To Borrower		603. Cash _____ To _____ From Seller	

M. Settlement Charges

M-1. Real Estate Sale Settlement Charges

700. Total Real Estate Commission based on sales price \$ _____ @ _____ % or \$ _____

Division of Commission in 700 is as follows:

701. \$ _____ to _____

702. \$ _____ to _____

703. Real Estate Commission on line 700 paid at settlement	Borrower	Seller
	\$ _____	\$ _____
704.	\$ _____	\$ _____

M-2. Other Charges for Purchase Transaction (Not Required by Lender)

750. For _____ \$ _____ \$ _____

M-3. Mortgage Loan Settlement Charges to Be Paid by You COMPARE 1ST COLUMN — CHARGES TO BE PAID BY BORROWER — TO GFE
Note: Charges marked with a † are used to calculate the finance charge and APR under the Truth in Lending Act (TILA).

The numbered cost categories below are included in your Total Mortgage Loan Settlement Costs if filled in. All of the particular fees and services may or may not be included for your loan.

800. Lender Origination Charges may include the charges in A-1-A-3 below:† \$ _____ \$ _____

A-1. Lender Charges for loan origination and other Lender services† \$ _____

A-2. Discount Points paid to reduce your interest rate† _____ % / \$ _____

A-3. Rate Lock paid to lock in your interest rate† _____ % / \$ _____ \$ _____

850. Mortgage Broker Origination Charges to be paid directly by You to the Mortgage Broker for loan origination and other Mortgage Broker services. \$ _____

Note: The Mortgage Broker's compensation from the Lender for this Loan is \$ _____ or _____ % of the total amount. This amount is not included in the Mortgage Broker Origination Charges in 850 because it is paid by the Lender directly to the Mortgage Broker.

900. Credit, Valuation and Inspection Charges for your loan that may include: \$ _____ \$ _____

- Appraisal or valuation fee
- Credit report
- Pre-closing inspection
- Pest inspection

1000. Title Charges for your loan that may include: \$ _____ \$ _____

- Settlement or closing-escrow services
- Abstract or title search
- Title examination
- Title insurance binder
- Documentation preparation
- Notary services
- Attorney services
- Title insurance
- Lender's coverage
- Survey
- All other title and closing services

Charges for Owner's Title Insurance Coverage of \$ _____ are included in this amount if this box is checked.

Charges for closing agent to attend closing of \$ _____ are included in this amount if this box is checked.†

1100. Government Recording and Transfer Charges for this transaction include: \$ _____ \$ _____

- Recording fees: Deed: \$ _____ Mortgages: \$ _____ Releases: \$ _____
- City/county tax stamps: \$ _____
- State tax stamps: \$ _____
- Other government recording and transfer costs: \$ _____

1200. Interest and Mortgage Insurance Charges to be paid in advance include:† \$ _____ \$ _____

- Interest from _____ to _____ at \$ _____ a day
- Mortgage insurance premium for _____ months to _____ at \$ _____
- VA funding fee / FHA mortgage insurance premium \$ _____
- All other 1200 series costs required to be paid in advance including: _____ for \$ _____

1250. Taxes, Flood and Hazard Insurance Charges to be paid in advance include: \$ _____ \$ _____

- Taxes: _____
- Flood insurance premium for _____ months to _____ at \$ _____
- Hazard insurance premium for _____ months to _____ at \$ _____
- All other 1250 series costs required to be paid in advance including: _____ for \$ _____

1300. Escrow Charges/Reserves to establish an escrow account to pay taxes, insurance premiums and other charges include: \$ _____ \$ _____

Instead of providing the itemization below, a separate escrow account analysis is being provided.

- Hazard insurance: _____ months at \$ _____ per month
- Annual assessments: _____ months at \$ _____ per month
- Mortgage insurance: _____ months at \$ _____ per month
- Flood insurance: _____ months at \$ _____ per month
- City property taxes: _____ months at \$ _____ per month
- Aggregate analysis adjustment: \$ _____
- County property taxes: _____ months at \$ _____ per month
- All other 1300 series costs/reserves deposited with lender including: _____ for \$ _____

Note: Even if required charges including taxes are not escrowed — listed here or in the separate escrow account analysis — you are still responsible for paying them.

1350. Other Mortgage Loan Settlement Charges for services for your loan that may include:† \$ _____ \$ _____

- Life-of-Loan flood service
- Life-of-Loan tax services
- All other miscellaneous services not covered above
- Wire transfers

Gross Settlement Charges (M-1-M-3) \$ _____ \$ _____

Minus Settlement Charges Paid before Closing — \$ _____ \$ _____

Minus Any Credit from Lender — \$ _____ \$ _____

1400. Net Settlement Charges \$ _____ \$ _____
(line 103 on front) (line 502 on front)