



Getting It Right: RESPA GFE & HUD-1/1A Workshop

December 15, 2009

Dial In No.: 1-916-233-3087
Access Code: 150-051-881 #

POWERED BY
COMPLIANCE COACH®

TOTAL Compliance™ Webinar Series



Notice

The statements and opinions provided by the speakers in this Webinar do not necessarily represent the views of LogicEase Solutions Inc. (LSI) and are not made on behalf of LSI. The statements and opinions provided by the speakers in this Webinar are not intended, and should not be construed, as legal advice. Attendees are advised to direct any questions of a legal nature to the attendee's own legal counsel.



Welcome to Today's Webinar

Moderator:

**Jason Roth, Senior Vice President
ComplianceEase**

Speakers:

**Sai Huda, Chairman and CEO
Compliance Coach**



Presenter



Sai Huda
Chairman & CEO
Compliance Coach

Mr. Huda is one of the nation's leading regulatory compliance experts and an expert speaker. He is a featured speaker at major industry conferences. He is known for his dynamic, practical presentations. He serves as the chair of the annual Compliance Summit, the nation's premier compliance conference. This thought-leadership event brings together leading regulators and other experts to forecast risks and identify best practices.

Mr. Huda has over twenty years of experience as an expert compliance practitioner and has served as a chief compliance officer with major financial institutions. He is a Certified Regulatory Compliance Manager (CRCM), Certified Risk Professional (CRP) and Certified Internal Auditor (CIA).





Presentation Overview

- Overview of GFE and HUD-1/1A
- Walkthrough of the forms
- Common pitfalls & most dangerous violations
- Tolerances & curing errors
- Non-compliance risks
- Scenario
- Questions & Answers



Overview - GFE

- The lender or mortgage broker must provide the GFE within 3 business days of **application**
 - “business day” is any day the lender or mortgage broker’s offices are open to the public
- If mailing the GFE, assume receipt in 3 calendar days, not counting Sundays and legal holidays.



Overview - GFE

“Application”

If at least the following 6 items submitted, then there is an “application” triggering the GFE Disclosure:

- **A**ddress of property
- **L**oan amount
- **I**ncome of borrower (monthly)
- **E**stimate of property value
- **N**ame of borrower
- **S**ocial security number of borrower

May include: any other information deemed necessary by creditor





Overview - GFE



- No fee may be charged as a condition of receiving the GFE except for the cost of an initial credit report.



Overview - GFE

GFE terms must be available for at least 10 business days from delivery, except for:

- Interest rate (determined by lender)
- Loan terms tied to the interest rate
- Charge or credit for the specific rate chosen
- Adjusted origination charges
- Per diem interest



Overview - GFE

A revised GFE may be provided when there is a “changed circumstance:”

- Borrower requests changes
- Borrower locks in rate (if didn't before)
- Borrower information is found to inaccurate after GFE was provided
- Borrower does not express intent to continue within 10 business days after GFE provided

If a revised GFE is provided, it must be provided within 3 days after receiving the information or request.

The basis for the revision must be documented and retained for at least 3 years after settlement.





Overview - GFE



The lender is responsible for the GFE's delivery but is not required to provide an additional GFE if the mortgage broker provided a GFE.

However, if the mortgage broker has provided the GFE, the lender is bound, within tolerances, to the settlement charges listed in the GFE.

A lender may issue a new GFE if there is a “changed circumstance.” Then the lender is not bound to the mortgage broker provided GFE, only to the new GFE.



Overview - GFE

New Standardized GFE must be used:

- Three pages
- Page 1: Summary of Loan Terms, Settlement Charges
- Page 2: Adjusted Origination Charges, Settlement Charges
- Page 3: Instructions, Fee Tolerance, Tradeoff Tables, Shopping Chart



Overview - GFE

Page 1: Summary of Loan Terms, Settlement Charges

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.

Summary of your
settlement charges

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





Overview - GFE

Page 2: Adjusted Origination Charges, Settlement Charges

Understanding
your estimated
settlement charges

Your adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	
A Your adjusted Origination Charges	\$



Overview - GFE

Blocks 4, 5 & 6:
Loan Originator
must provide
written list of
providers if
borrower can
select.



Your Charges for All Other Settlement Services		
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services.		
Service	Charge	
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.		
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.		
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.		
Service	Charge	
7. Government recording charges These charges are for state and local fees to record your loan and title documents.		



Overview - GFE

Page 3: Instructions, Fee Tolerance, Tradeoff Tables, Shopping Chart

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none">▪ Our origination charge▪ Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate)▪ Your adjusted origination charges (after you lock in your interest rate)▪ Transfer taxes	<ul style="list-style-type: none">▪ Required services that we select▪ Title services and lender's title insurance (if we select them or you use companies we identify)▪ Owner's title insurance (if you use companies we identify)▪ Required services that you can shop for (if you use companies we identify)▪ Government recording charges	<ul style="list-style-type: none">▪ Required services that you can shop for (if you do not use companies we identify)▪ Title services and lender's title insurance (if you do not use companies we identify)▪ Owner's title insurance (if you do not use companies we identify)▪ Initial deposit for your escrow account▪ Daily interest charges▪ Homeowner's insurance





Overview - HUD-1/1A

Overview of HUD-1/1A Changes:

- Modified to allow comparison of charges on the GFE
- HUD-1 is 3 pages; HUD-1A is 2 pages
- Lines reference corresponding “Block” numbers on the GFE
- Terminology modified to be more consistent with GFE terminology
- 3rd party charges listed outside column
- Still itemizes services and shows the names of third parties ultimately receiving payment
- Opportunity to “cure” an inadvertent or technical error within 30 calendar days after settlement



Overview - HUD-1/1A

- Line 802: “Your credit or charge (points) for the specific interest rate chosen”
 - Indirect payments from a lender to a mortgage broker (YSP’s) may not be disclosed as P.O.C. – must be included as a credit.



800. Items Payable in Connection with Loan					
801. Our origination charge	\$		(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen	\$		(from GFE #2)		
803. Your adjusted origination charges			(from GFE A)		
804. Appraisal fee to			(from GFE #3)		
805. Credit report to			(from GFE #3)		
806. Tax service to			(from GFE #3)		
807. Flood certification			(from GFE #3)		
808.					
900. Items Required by Lender to Be Paid in Advance					
901. Daily interest charges from	to	@ \$	/day	(from GFE #10)	
902. Mortgage insurance premium	for	months to		(from GFE #3)	
903. Homeowner's insurance	for	years to		(from GFE #11)	
904.					
1000. Reserves Deposited with Lender					
1001. Initial Deposit for your escrow account				(from GFE #9)	
1002. Homeowner's insurance	months @ \$	per month	\$		
1003. Mortgage insurance	months @ \$	per month	\$		
1004. Property taxes	months @ \$	per month	\$		
1005.	months @ \$	per month	\$		
1006.	months @ \$	per month	\$		
1007. Aggregate Adjustment			-\$		



Overview – HUD-1/1A



- The amount of title insurance premiums, including endorsements retained by the title agent must be separately disclosed outside of the columns in line 1107 & underwriter's portion in line 1108.
- If a party other than title company listed on line 1101 of the HUD-1 provides services that are separate from providing title insurance (i.e., attorney and settlement or escrow agent services) the title company should separately itemize those services with the total amount paid, outside of the columns.



Overview - HUD-1/1A

HUD-1

Page 3 Comparison Chart:

- Compares amounts listed for settlement services on the GFE versus actual total costs listed for such services on HUD-1
- GFE tolerance compliance or violations highlighted

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	#1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
Total			
Increase between GFE and HUD-1 Charges		\$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001		
Daily interest charges	# 901 \$ /day		
Homeowner's insurance	# 903		
	#		
	#		
	#		



Overview - HUD-1/1A

HUD-1

Page 3 Loan Terms Chart:

- Summarizes final loan terms
- Verifies to borrowers the received loan was what they applied for



Loan Terms

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	\$ _____ includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
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 on _____ and can change again every _____ after _____. Every change date, your interest rate can increase or decrease by _____ %. Over the life of the loan, your interest rate is guaranteed to never be lower than _____ % or higher than _____ %.
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 mortgage insurance rise?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____. The maximum it can ever rise to is \$ _____.



Walkthrough - GFE

GFE Page 1

- Lender, Borrower Info
- GFE Date
- GFE Purpose Info
- Important Dates
 - Interest rate “good thru” date
 - Settlement charges “good thru” date

Name of Originator	Anytown Financial	Borrower	Bob Arbor / Rita Arbor
Originator Address	123 Main Street Anytown, XX 22222	Property Address	555 Oak Street Anytown, XX 22222
Originator Phone Number	(III)222-3333	Date of GFE	3/01/2010
Originator Email	j.mitchell@anytownfinancial.com		
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 <i>Special Information Booklet</i> on settlement charges, your <i>Truth-in-Lending Disclosures</i> , and other consumer information at 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	<ol style="list-style-type: none">1. The interest rate for this GFE is available through 3/02/2010. 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 3/16/2010.3. After you lock your interest rate, you must go to settlement within 30 days (your rate lock period) to receive the locked interest rate.4. You must lock the interest rate at least 2 days before settlement.		





Walkthrough - GFE

GFE Page 1

- Summary of Loan Terms
- Escrow Account Info
- Summary of Settlement Charges
 - **A** = Adjusted Origination Charges
 - **B** = Other Settlement Charges
 - **A + B** = Total Estimated Settlement Charges

Summary of your loan	Your initial loan amount is	\$ 160,000.00
	Your loan term is	30 years
	Your initial interest rate is	5.00 %
	Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 858.91 per month
Can your interest rate rise?		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 12 %. The first change will be in 5 years.
Even if you make payments on time, can your loan balance rise?		<input checked="" 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 checked="" type="checkbox"/> Yes, the first increase can be in 5 years and the monthly amount owed can rise to \$1,038.44. The maximum it can ever rise to is \$1,524.68.
Does your loan have a prepayment penalty?		<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$1,600.00
Does your loan have a balloon payment?		<input checked="" 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 \$ 858.91 .
	Do we require you to have an escrow account for your loan? <input type="checkbox"/> No, you do not have an escrow account. You must pay these charges directly when due. <input checked="" type="checkbox"/> Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges	A	Your Adjusted Origination Charges (See page 2.)	\$ 1,750.00
	B	Your Charges for All Other Settlement Services (See page 2.)	\$ 4,437.22
	A + B	Total Estimated Settlement Charges	\$ 6,187.22





Walkthrough - GFE

GFE Page 2 Details of A & B

A = Adjusted Origination Charges

Block 1 - Origination Charges

Loan = \$160,000
1% points + \$150 underwriting fee

Block 2 – Credit or Charge (Points)

Check only one box
If no broker, check first box
If broker YSP, check second box

Understanding your estimated settlement charges	
Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	1,750.00
2. Your credit or charge (points) for the specific interest rate chosen <input checked="" type="checkbox"/> The credit or charge for the interest rate of <u>5.00</u> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <u> </u> for this interest rate of <u> </u> %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <u> </u> for this interest rate of <u> </u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	0.00
A Your Adjusted Origination Charges	\$ 1,750.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <u> </u> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ <u>400.00</u> for this interest rate of <u>5.25</u> %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <u> </u> for this interest rate of <u> </u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	- 400.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <u> </u> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <u> </u> for this interest rate of <u> </u> %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ <u>400.00</u> for this interest rate of <u>5.00</u> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	400.00





Walkthrough - GFE

GFE Page 2 Details of A & B

B = Other Settlement Charges

Block 3 - Required services (selected by lender)

Block 4 - Lender's Title Insurance

Block 5 - Owner's Title Insurance

Block 6 - Required services (selected by borrower)

Your Charges for All Other Settlement Services		
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services.		
Service	Charge	620.00
Credit Report	90.00	
Appraisal	500.00	
Flood Certification	30.00	

4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	225.00
--	--------

5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	1,015.00
--	----------

6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.	200.00
Service	
Home Inspection	
Survey	75.00





Walkthrough - GFE

GFE Page 2 Details of A & B

B = Other Settlement Charges

Block 7 - Government recording fees

Block 8 - Transfer taxes

Block 9 - Escrow account deposit

Block 10 - Per diem interest

Block 11 - Homeowner's Insurance

A + B = Total Estimated Settlement Charges

7. Government recording charges These charges are for state and local fees to record your loan and title documents.	100.00				
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	300.00				
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input checked="" type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.	1,254.99				
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ <u>22.23</u> per day for _____ days (if your settlement is <u>03/31/2010</u>).	22.23				
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. <table><tr><td>Policy</td><td>Charge</td></tr><tr><td>Hazard Insurance</td><td>700.00</td></tr></table>	Policy	Charge	Hazard Insurance	700.00	700.00
Policy	Charge				
Hazard Insurance	700.00				
B Your Charges for All Other Settlement Services	\$ 4,437.22				
A + B Total Estimated Settlement Charges	\$ 6,187.22				





Walkthrough - GFE

GFE Page 3 Instructions

Tolerance Table

- Blocks 1, 2 & 8: 0%
- Blocks 3, 4, 5, 6 & 7: 10%
- Blocks 9, 10 & 11: None

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none">■ Our origination charge■ Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate)■ Your adjusted origination charges (after you lock in your interest rate)■ Transfer taxes	<ul style="list-style-type: none">■ Required services that we select■ Title services and lender's title insurance (if we select them or you use companies we identify)■ Owner's title insurance (if you use companies we identify)■ Required services that you can shop for (if you use companies we identify)■ Government recording charges	<ul style="list-style-type: none">■ Required services that you can shop for (if you do not use companies we identify)■ Title services and lender's title insurance (if you do not use companies we identify)■ Owner's title insurance (if you do not use companies we identify)■ Initial deposit for your escrow account■ Daily interest charges■ Homeowner's insurance





Walkthrough - GFE

GFE Page 3 Instructions

- Tradeoff Table
- Shopping Chart
- Loan Sale Disclosure

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 160,000	\$ 160,000	\$ 160,000
Your initial interest rate ¹	5.00 %	5.50 %	4.50 %
Your initial monthly amount owed	\$ 858.91	\$ 908.46	\$ 810.70
Change in the monthly amount owed from this GFE	No change	You will pay \$ 49.55 more every month	You will pay \$ 48.21 less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$ 800.00	Your settlement charges will increase by \$ 800.00
How much your total estimated settlement charges will be	\$ 6,187.22	\$ 5,387.22	\$ 6,987.22

¹ For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.





Walkthrough – HUD-1

HUD -1 Page 1

- Loan Information
- Summary of Borrower's Transaction
- Summary of Seller's Transaction

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		A. Settlement Statement (HUD-1)		OMB Approval No. 2502-0265	
B. Type of Loan					
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input checked="" type="checkbox"/> Conv. Unins.	6. File Number: 461378	7. Loan Number: 53-1724213	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				
C. Note: 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: Bob Arbor Rita Arbor P.O. Box 37242 Anytown, XX 22222		E. Name & Address of Seller: Gilford Stinson Mabel Stinson 1324 Southwood Lane Anytown, XX 22222		F. Name & Address of Lender: Anytown Financial 123 Main Street Anytown, XX 22222	
G. Property Location: 555 Oak Street Anytown, XX 22222		H. Settlement Agent: Anytown Title Services 130 Main Street, Anytown, XX 22222 (11)222-6214 Place of Settlement: 130 Main Street, Anytown, XX 22222		I. Settlement Date: 03/31/2010	





Walkthrough – HUD-1

HUD -1 Page 1

- Summary of Borrower's Transaction

J. Summary of Borrower's Transaction

100. Gross Amount Due from Borrower

101. Contract sales price	300,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	5,558.90
104.	
105.	

Adjustment for items paid by seller in advance

106. City/town taxes	to	
107. County taxes	to	
108. Assessments	to	
109.		
110.		
111.		
112.		

120. Gross Amount Due from Borrower 305,558.90

200. Amounts Paid by or in Behalf of Borrower

201. Deposit or earnest money	5,000.00
202. Principal amount of new loan(s)	160,000.00
203. Existing loan(s) taken subject to	
204. Settlement Fee	50.00
205. Owners Title Insurance	1,050.00
206.	
207.	
208.	
209.	

Adjustments for items unpaid by seller

210. City/town taxes	to	
211. County taxes	01/01/2010 to 03/31/2010	447.67
212. Assessments	to	
213.		
214.		
215.		
216.		
217.		
218.		
219.		
220. Total Paid by/for Borrower		166,547.67

300. Cash at Settlement from/to Borrower

301. Gross amount due from borrower (line 120)		305,558.90
302. Less amounts paid by/for borrower (line 220)		(166,547.67
303. Cash	<input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	139,011.23





Walkthrough – HUD-1

HUD -1 Page 1

- Summary of Seller's Transaction

K. Summary of Seller's Transaction		
400. Gross Amount Due to Seller		
401. Contract sales price		300,000.00
402. Personal property		
403.		
404.		
405.		

Adjustments for items paid by seller in advance		
406. City/town taxes	to	
407. County taxes	to	
408. Assessments	to	
409.		
410.		
411.		
412.		
420. Gross Amount Due to Seller		300,000.00

500. Reductions In Amount Due to Seller		
501. Excess deposit (see instructions)		
502. Settlement charges to seller (line 1400)		18,000.00
503. Existing loan(s) taken subject to		
504. Payoff of first mortgage loan		97,255.00
505. Payoff of second mortgage loan		
506. 2010 Property Taxes		1,835.00
507. Settlement Fee		50.00
508. Owners Title Insurance		1,050.00
509.		

Adjustments for items unpaid by seller		
510. City/town taxes	to	
511. County taxes	01/01/2010 to 03/31/2010	447.67
512. Assessments	to	
513.		
514.		
515.		
516.		
517.		
518.		
519.		
520. Total Reduction Amount Due Seller		118,637.67

600. Cash at Settlement to/from Seller		
601. Gross amount due to seller (line 420)		300,000.00
602. Less reductions in amount due seller (line 520)		(118,637.67)
603. Cash	<input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	181,362.33





Walkthrough – HUD-1

HUD-1 Page 2 Settlement Charges

- Block 700 - Real Estate Broker Fees
- Block 800 - Loan Origination Fees, Required Services Fees
- Block 900 - Per diem interest, Mortgage Insurance, Homeowner's Insurance
- Block 1000 - Escrow Account Deposits, Aggregate Adjustment

L. Settlement Charges						
700. Total Real Estate Broker Fees	18,000.00				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows:						
701. \$ 9,000.00	to Anytown Realty					
702. \$ 9,000.00	to 1st Choice Real Estate					
703. Commission paid at settlement						18,000.00
704.						
800. Items Payable in Connection with Loan						
801. Our origination charge	\$ 1,750.00 (from GFE #1)					
802. Your credit or charge (points) for the specific interest rate chosen	\$ 0.00 (from GFE #2)					
803. Your adjusted origination charges	(from GFE A)			1,750.00		
804. Appraisal fee to	Anytown Appraisal Services (from GFE #3)			525.00		
805. Credit report to	National Reporting Agency (from GFE #3)	90.00 (P0C)	Borrower			
806. Tax service to	(from GFE #3)					
807. Flood certification	Global Flood Research (from GFE #3)			20.00		
808.						
900. Items Required by Lender to Be Paid in Advance						
901. Daily interest charges from 03/31/10 to 04/01/10 @ \$22.23 /day	(from GFE #10)			22.23		
902. Mortgage insurance premium for months to	(from GFE #3)					
903. Homeowner's insurance for 1 years to	Anytown Insurance (from GFE #11)			725.00		
904.						
1000. Reserves Deposited with Lender						
1001. Initial deposit for your escrow account	(from GFE #9)			426.67		
1002. Homeowner's insurance 3 months @ \$ 60.42 per month	\$ 181.26					
1003. Mortgage insurance months @ \$ per month	\$					
1004. Property taxes 2 months @ \$ 152.92 per month	\$ 305.84					
1005. months @ \$ per month	\$					
1006. months @ \$ per month	\$					
1007. Aggregate Adjustment	-\$ 60.43					





Walkthrough – HUD-1

HUD-1 Page 2 Settlement Charges

Block 1100 - Title Charges

Block 1200 - Government Recording Fees,
Transfer Taxes

Block 1300 - Other Settlement Charges

1100. Title Charges			
1101. Title services and lender's title insurance	(from GFE #4)	450.00	
1102. Settlement or closing fee	\$ 100.00		
1103. Owner's title insurance	(from GFE #5)	1,050.00	
1104. Lender's title insurance	\$ 350.00		
1105. Lender's title policy limit \$	160,000.00		
1106. Owner's title policy limit \$	300,000.00		
1107. Agent's portion of the total title insurance premium	\$ 150.00		
1108. Underwriter's portion of the total title insurance premium	\$ 250.00		
1200. Government Recording and Transfer Charges			
1201. Government recording charges	(from GFE #7)	90.00	
1202. Deed \$ 30.00 Mortgage \$ 50.00 Releases \$ 10.00			
1203. Transfer taxes	(from GFE #8)	300.00	
1204. City/County tax/stamps	Deed \$ Mortgage \$		
1205. State tax/stamps	Deed \$ 300.00 Mortgage \$		
1206.			
1300. Additional Settlement Charges			
1301. Required services that you can shop for	(from GFE #6)	200.00	
1302. Home Inspection to Reliable Inspections	\$ 125.00		
1303. Survey to Land Surveying Company	\$ 75.00		
1304.			
1305.			
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		5,558.90	18,000.00



Walkthrough – HUD-1

HUD-1 Page 3 Comparison of GFE & HUD-1 Charges

- Compares amounts listed for settlement services on the GFE versus actual total costs listed for such services on HUD-1
- GFE tolerance compliance or violations highlighted

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	
Charges That Cannot Increase	HUD-1 Line Number
Our origination charge	# 801
Your credit or charge (points) for the specific interest rate chosen	# 802
Your adjusted origination charges	# 803
Transfer taxes	#1203

Good Faith Estimate	HUD-1
1,750.00	1,750.00
0.00	0.00
1,750.00	1,750.00
300.00	300.00

Charges That in Total Cannot Increase More Than 10%	
Government recording charges	# 1201
Credit Report	# 805
Appraisal	# 804
Flood Certificate	# 807
	#
	#
	#
	#
Total	
Increase between GFE and HUD-1 Charges	

Good Faith Estimate	HUD-1
100.00	90.00
90.00	90.00
500.00	525.00
30.00	20.00
720.00	725.00
\$ 5.00	or 0.694 %

Charges That Can Change	
Initial deposit for your escrow account	#1001
Daily interest charges	# 901 \$22.23/day
Homeowner's insurance	# 903
Title Services and Lender's Title Insurance	# 1101
Owner's Title Insurance	# 1103
Home Inspection	# 1302
Survey	# 1303

Good Faith Estimate	HUD-1
1,254.99	426.67
22.23	22.23
700.00	725.00
225.00	450.00
1,015.00	1,050.00
125.00	125.00
75.00	75.00





Walkthrough – HUD-1

HUD-1 Page 3 Loan Terms Summary

- Summarizes final loan terms
- Verifies to borrowers the received loan was what they applied for



Loan Terms	
Your initial loan amount is	\$ 160,000.00
Your loan term is	30 years
Your initial interest rate is	5.00 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 858.91 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 12%. The first change will be on 03/31/10 and can change again every year after 03/31/10. Every change date, your interest rate can increase or decrease by 2%. Over the life of the loan, your interest rate is guaranteed to never be lower than 5% or higher than 12%.
Even if you make payments on time, can your loan balance rise?	<input checked="" 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 mortgage insurance rise?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, the first increase can be on 05/01/10 and the monthly amount owed can rise to \$ 1,038.44 . The maximum it can ever rise to is \$ 1,524.68 .
Does your loan have a prepayment penalty?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, your maximum prepayment penalty is \$ 1,600.00 .
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on .
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 213.34 that results in a total initial monthly amount owed of \$ 1,072.25 . This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



Curing Errors

If you discover an error on the HUD-1/1A, it is important that you act within 30 days after closing!

You can correct inadvertent or technical errors by providing a revised HUD-1/1A within 30 calendar days after settlement.



The loan originator can cure a **tolerance violation** by reimbursing the difference that exceeds the tolerance at settlement or within 30 calendar days after settlement.

For example

- The GFE discloses the origination fee, which is subject to the 0% disclosure tolerance, as \$2,500, but at closing it is \$2,750. The originator must reimburse the borrower \$250.
- The charges subject to the 10% disclosure tolerance on the GFE total \$1,000; however on the HUD-1 those charges total \$1,200. The difference is \$200 or 20%. The originator must reimburse the borrower \$100 or 10%.





Non-Compliance Risks

Case Study:

A bank and its subsidiary mortgage company were subject to an enforcement action for a pattern and practice of providing inaccurate and untimely GFEs to borrowers. The regulator found that GFEs were consistently understating settlement costs and there were wide differences between what was disclosed on the GFE versus what was actually charged to borrowers as noted on the HUD-1/1A. The GFEs also were provided to borrowers past the 3-day window. The written agreement with their regulator required that they establish a reserve of \$14 million to reimburse customers and form a board compliance committee that was to meet at least once per month. The board was required to take responsibility directly to ensure compliance and prevent any further violations. The negative publicity associated with the enforcement action and the negative impact to customer goodwill was significant and immeasurable.



Scenario

FACTS:

Borrowers: Jayson Castor / Vivian Castor

Loan Amount: \$153,000

Loan Purpose: Refinance

Application Date: 04/07/XX

Loan Term: 15 years

Interest Rate: 4.5%; Fixed Rate

Loan Points: 0.50%; Processing Fee: \$120; Underwriting Fee: \$200

Credit Report Fee: \$30 POC by borrower

Loan Closing Date: 04/23/XX





Scenario

Q.1 Was the GFE provided timely?

- A. Yes
- B. No

Q.2 Was the Adjusted Origination Charges disclosed correctly on GFE?

- A. Yes
- B. No

Q.3 Was the \$30 credit report fee disclosed correctly on GFE?

- A. Yes
- B. No

Q.4 Was the HUD-1 provided timely?

- A. Yes
- B. No





Scenario

Q.5 Was the \$30 credit report fee disclosed correctly on HUD-1?

- A. Yes
- B. No

Q.6 Which fees are disclosed incorrectly on HUD-1?

- A. Appraisal Fee
- B. Tax Service, Flood Certification
- C. Homeowner's Insurance, Title Insurance
- D. Government recording charges

Q.7 Which fees are not within tolerance on HUD-1?

- A. Origination Charge
- B. Appraisal Fee
- C. Government recording charges
- D. Transfer Tax





Thank you! Questions?





Thank You for Your Participation!

1.866.212.Ease
info@ComplianceEase.com
ComplianceEase.com