

New RESPA Rule FAQs

(New items are in **bold**)

The following FAQs were revised to provide further clarification:

- **GFE – General, #33**
- **GFE – Important dates, #5**
- **GFE - Block 1, #7 and #8**
- **Sections 4 and 5 – Right to cure and tolerance violations, #9 and #12**

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LAST UPDATE:

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General

1) **Q:** When does the new RESPA Rule take effect?

A: The November 2008 RESPA Rule was effective January 16, 2009. Implementation of the provisions are as follows:

Provision	Implementation Date
Average Charge (optional)	January 16, 2009
Servicing Disclosure Statement	January 16, 2009
Other technical changes	January 16, 2009
New GFE	January 1, 2010
New HUD-1/HUD-1A (for all transactions in which the new GFE is used)	January 1, 2010
Tolerances	January 1, 2010
Elimination of FHA Cap On Origination Fees	January 1, 2010

2) **Q:** When does the revised required use definition take effect?

A: The revised required use definition was withdrawn by a separate final rule published May 15, 2009.

3) **Q:** Can a loan originator e-mail a GFE to a borrower?

A: Yes; as long as the borrower consents and the other specific requirements for consumer disclosures under the Electronic Signatures in Global and National Commerce Act (ESIGN) are met, a loan originator may e-mail, fax, or send by other electronic means the GFE (and other RESPA disclosures, such as the HUD-1/1A). See section 101(c) of ESIGN, 15 U.S.C. § 7001(c); also see 24 CFR § 3500.23. The loan originator may also continue to deliver the GFE to the borrower by hand delivery or by placing it in the mail, as provided by RESPA.

4) **Q:** RESPA and HUD's RESPA regulations require that certain records be retained for a period of time. Can those records be retained electronically?

A: Yes, if the person responsible for retaining records under RESPA and HUD's RESPA regulations meets the specific requirements and limitations applicable to the retention of electronic documents set out in the Electronic Signatures in Global and National Commerce Act (ESIGN), that person's responsibility will be satisfied by the retention of electronic records. See sections 101(d) and (e) of ESIGN, 15 U.S.C. § 7001(d) and (e); also see 24 CFR § 3500.23.

5) **Q:** Can we translate the GFE and the HUD-1 into languages other than English?

A: Yes, it is permissible to translate the GFE and the HUD-1 as long as the form has been translated accurately.

6) **Q:** The term "monthly" is used throughout the GFE and HUD-1 forms. The requirements stated in terms of "monthly" do not work well for loans on which payments are not made monthly

(e.g., are made biweekly or quarterly). In such transactions, can an appropriate payment period be substituted whenever requirements on the forms are stated in terms of “monthly”?

A: No, the GFE and HUD-1 are prescribed forms. The instructions for the GFE provide that the standardized form is the required form. HUD's regulations provide that language and terms used on the HUD-1 may not be changed, except in limited circumstances which do not include changes to the standardized language (see 24 CFR § 3500.9). The intent of the standardized GFE and HUD-1 is to provide borrowers an easier means of comparing loan offers, and to determine that they are getting the loan at settlement that they were offered in the GFE. For loans with payment plans that are not monthly, the periodic payments should be converted to a monthly basis (e.g., payments for a biweekly plan with 26 payments per year would be multiplied by 26/12, quarterly payments would be divided by 3, etc.).

7) **Q:** If a borrower applies for a first and second mortgage before January 1, 2010 and the loan originator issues a GFE using the new form for the first mortgage, does the loan originator have to issue the second mortgage GFE on the new GFE form also?

A: No, the loan originator does not have to issue the GFE for the second mortgage on the new GFE form prior to January 1, 2010 even if the loan originator issues the GFE for the first mortgage on the new GFE form. To avoid consumer confusion, the loan originator may choose to issue new GFEs for both the first and second mortgage, or old GFEs for both the first and second mortgages. If the loan originator issues the old GFE, the old HUD-1 must be used. If the loan originator issues the new GFE, the new HUD-1 must be used.

8) **Q:** What is a “no-cost” loan for purposes in the new RESPA Rule?

A: Information about “no-cost” loans may be found in Appendix A, Instructions for Completing HUD-1 and HUD-1A Settlement Statements and 24 CFR part 3500, Appendix C – GFE Instructions.

9) **Q:** The definition of “Origination service” does not explicitly include all of the services provided by mortgage brokers in the definition of “Settlement services”. Are all “Settlement services” considered “Origination services”?

A: No, all “Settlement services” are not considered “Origination services”. However, all “Origination services” are “Settlement services”.

10) **Q:** How may applications under a preapproval program as defined by Section 203.2(b)(2) of Regulation C be treated?

A: For the purposes of RESPA, “application” is defined at 24 CFR § 3500.2(b). The RESPA rule does not address preapprovals or the information required in relation to preapprovals. The Federal Reserve is responsible for promulgating, interpreting and enforcing Regulation C.

11) **Q:** May a loan originator require the use of its affiliate for the tax service or flood certificate?

A: No, a loan originator may not require the use of its affiliate for tax service or flood certificate, but a loan originator may require the use of a non-affiliated provider.

12) **Q:** If I suspect someone is violating RESPA, is there a phone number I can call to make a complaint to HUD?

A: We encourage anyone that suspects someone is potentially violating RESPA to contact us. You may either call 1-202-708-0502 or you may send your complaint to:

Director, Office of RESPA and Interstate Land Sales
US Department of Housing and Urban Development
Room 9154
451 7th Street, SW
Washington, DC 20410

For more information, please visit our website at www.hud.gov/RESPA or email our office at hsg-RESPA@hud.gov.

13) **Q:** What is the minimum font size that may be used on the GFE, HUD-1 or HUD-1A?

A: The Rule does not state a minimum font size that may be used on the GFE, HUD-1 or HUD-1A.

14) **Q:** May the pagination of the GFE change?

A: No, the pagination of the GFE may not change.

15) **Q:** May the GFE be on legal size paper?

A: Yes, the GFE may be on legal size paper.

16) **Q:** Can shading and margins be changed on the HUD-1?

A: Yes. Shading and margins may be changed on the HUD-1. (See 24 C.F.R. § 3500.9)

17) **Q:** Can lines be added to the HUD-1 Settlement Statement?

A: Yes, lines may be added to the HUD-1 and blank line within a series may be deleted from the HUD-1. (See 24 C.F.R. § 3500.9)

18) Q: If we furnish separate copies of the HUD-1 to the Borrower and Seller in a transaction, can we leave Sections B through I (“Type of Loan” through “Settlement Date”) blank on either copy of the HUD-1?

A: No. Sections B through I must be completed on both the borrower's and the seller's copies of the HUD-1. However, section K may be left blank on the borrower's copy of the HUD-1, and section J may be left blank on the seller's copy.

GFE

GFE – General

- 1) **Q:** What happens if a GFE is not provided to a borrower?
A: In a transaction involving a federally related mortgage, the loan originator is required to provide a GFE to the borrower. Failure to provide a GFE as required is a violation of Section 5 of RESPA.

- 2) **Q:** When will the use of the new GFE and HUD-1 forms be required?
A: The new GFE and HUD-1 forms must be used as of January 1, 2010. The new GFE and HUD-1 forms may be used before this date. Please note that if a loan originator issues a GFE on the new form, then the settlement agent must use the new HUD-1 form and the tolerances and other requirements in the revised RESPA regulations will apply.

- 3) **Q:** If a GFE is issued on the old form prior to January 1, 2010, and the loan will close after January 1, 2010, which HUD-1 form is to be completed by the settlement agent?
A: If a GFE is issued on the old form prior to January 1, 2010, then the old HUD-1 form must be used even if closing will occur after January 1, 2010. For GFEs issued on the old form, the loan originator has the option to reissue the GFE (with the same terms and charges) on the new form, in which case the settlement agent must complete the new HUD-1 form.

- 4) **Q:** When does a loan originator have to issue a GFE?
A: A loan originator must issue a GFE no later than 3 business days after the loan originator receives an application or information sufficient to complete an application. Application is defined as the submission of a borrower's financial information in anticipation of a credit decision relating to a federally related mortgage loan, which shall include the following: (1) borrower's name, (2) borrower's monthly income; (3) borrower's social security number to obtain a credit report; (4) property address; (5) estimate of value of the property; (6) loan amount and (7) any other information deemed necessary by the loan originator.

- 5) **Q:** What is a loan originator?
A: "Loan originator" means a lender or a mortgage broker.

- 6) **Q:** What fees can a loan originator charge before issuing a GFE?
A: Prior to issuing a GFE, the loan originator may, at its option, collect a fee limited to the cost of a credit report.

- 7) **Q:** I am a mortgage broker. Can I provide the GFE?
A: Yes, a mortgage broker can provide the GFE, however the lender is ultimately responsible for ascertaining that the GFE was provided to the applicant.

- 8) **Q:** There are not enough lines on the GFE or the HUD-1 to show all of the charges that are appropriate for some of the categories. Where should these charges be listed?
A: Additional lines may be added to Blocks 3, 6 and 11 of the GFE. Additional lines may also be added to the HUD-1.
- 9) **Q:** Is a GFE a loan commitment?
A: No, the GFE is not a loan commitment. A GFE is an estimate of settlement charges a borrower is likely to incur to obtain a specific loan.
- 10) **Q:** At what point can a loan originator charge a loan applicant fees for services other than the cost of obtaining a credit report?
A: After a loan applicant both receives a GFE and indicates an intention to proceed with the loan covered by the GFE, the loan originator may collect fees beyond the cost of a credit report for origination-related services.
- 11) **Q:** If the borrower is taking out two loans to finance the purchase, how should the loan originator disclose the charges from each loan on the GFE and the HUD-1?
A: Each loan must have a separate GFE and a separate HUD-1. However, the principal amount of the second loan and a brief explanation of the second loan should be listed on Lines 204 – 209 of the HUD-1 for the first loan.
- 12) **Q:** What are processing and administrative services?
A: Processing and administrative services are those services required to perform the functions involved in title service and origination service. Processing and administrative services include, but are not limited to the following: document delivery, document preparation, copying, wiring, preparing endorsements, document handling and notarization.
- 13) **Q:** Can items be listed as “Paid Outside of Closing” or “P.O.C.” on the GFE?
A: No, the totals included in the column on page 2 of the GFE must be the sums of the prices or fees, by category, for all settlement services that are required to be shown on the GFE. Where individual components of these totals are required to be itemized, each third party settlement service must be identified and the estimated total price or fee to be paid for that service must be stated to the left of the column. The standardized GFE form does not allow information to be included on any part of those totals that would be paid outside of closing. Such information would not help borrowers to shop for loans and would not facilitate comparison of the charges on the GFE with the charges on the HUD-1.
- 14) **Q:** The definition of application includes the social security number as one of six pieces of information. Foreign nationals do not have social security numbers. Is a Tax Identification Number (TIN) an acceptable substitution?
A: Before a loan originator issues a GFE, the loan originator will often evaluate the credit worthiness of a potential borrower by pulling an “in-file” or a credit report. The social security number is typically the unique identifier used to pull a credit report. If the social security number is not the appropriate unique identifier necessary to determine a borrower’s credit worthiness, another unique identifier may be substituted.

15) **Q:** If an FHA approved loan correspondent closes a loan in its name and is not table-funded by its sponsor, but rather is funded from its own funds or from a warehouse line of credit which it controls, is the correspondent considered a mortgage broker or a lender?

A: If an FHA approved loan correspondent closes a loan in its name and is not table-funded by its sponsor, but rather is funded from its own funds or from a warehouse line of credit which it controls, the correspondent is considered to be a lender.

16) **Q:** If the mortgage broker receiving the application is an exclusive agent of the lender (similar to the requirements of Regulation Z per Comment 19(b)-3), will the lender be considered to have received the application when its exclusive agent received it?

A: The loan originator must issue a GFE when it receives information sufficient to be considered an application under RESPA. The mortgage broker may issue the GFE, but the lender is responsible to ascertain whether the GFE has been provided. Timely communication between the lender and the mortgage broker is essential to assure compliance.

HUD cannot interpret regulations promulgated by another federal agency, such as Regulation Z (12 CFR part 226). Please refer to the Board of Governors of the Federal Reserve System for interpretations of Regulation Z.

17) **Q:** If the mortgage broker purports to permit a borrower to lock in a rate, but the mortgage broker does not lock that rate with the lender, what tolerances apply to the lender for the credit or charge for the interest rate chosen and the adjusted origination charge?

A: If the lender accepts the GFE issued by the mortgage broker, the lender is subject to the loan terms and settlement charges. Charges for the credit or credit for the interest rate chosen and the adjusted origination charge may not change (zero tolerance). Timely communication between the lender and the mortgage broker is essential to assure compliance.

18) **Q:** If the mortgage broker has failed to provide the GFE on a timely basis, may the lender issue its own GFE?

A: The lender is responsible for ascertaining whether or not the GFE has been provided. If the GFE has not been provided by the mortgage broker, the lender must provide the GFE. The failure to provide a GFE to a borrower within 3 business days of receipt of the borrower's application is a violation of Section 5 of RESPA.

19) **Q:** If a GFE has been provided and the interest rate has not been locked, can the loan originator provide a revised GFE when the borrower later locks the interest rate?

A: Yes, if a borrower locks the interest rate after the GFE has been issued, a revised GFE must be issued within 3 days of the interest rate lock reflecting the date that the interest rate lock is good through in Line 1 and "N/A" in Line 4 of the "Important dates" section of the GFE. Any interest rate-dependent charges (Block 2, Line A and Block 10 on the GFE) and terms that changed must also be updated on the revised GFE.

20) **Q:** If a GFE has been provided and the interest rate has been locked, may the loan originator provide a revised GFE if the borrower requests a different rate lock period?

A: If a borrower requests a change to the mortgage loan identified in a GFE and that request will change the terms of the loan, the loan originator may provide a revised GFE to the borrower.

21) **Q:** If there is more than one potential borrower in a transaction, may additional lines be added to the "Borrower" field on the GFE to include all potential borrower names?

A: Yes, additional lines may be added to the "Borrower" field on the GFE.

22) **Q:** A broker-submitted application may contain all the information the lender requires, but the lender may not want to be bound by the mortgage broker's GFE. If the lender were to reject the application for this reason, would that rejection be subject to ECOA adverse action requirements and HMDA reporting?

A: HUD cannot interpret regulations promulgated by another federal agency. Please refer to the Federal Reserve Board for its regulations and staff commentary on the Equal Credit Opportunity Act (ECOA) ("Regulation B," 12 CFR part 202) and the Home Mortgage Disclosure Act (HMDA) ("Regulation C," 12 CFR part 203). The Federal Trade Commission (FTC) may also provide assistance with ECOA questions involving mortgage companies.

23) **Q:** May a loan originator issue a GFE if the loan originator has not received one of the six pieces of information included in the definition of an application (borrower's name, borrower's monthly income, borrower's social security number, property address, estimate of the value of the property and mortgage loan amount sought)?

A: An application includes information the loan originator requires the borrower to submit in anticipation of a credit decision. If a loan originator issues a GFE, the loan originator is presumed to have received all six pieces of information.

24) **Q:** Are loan originators permitted to process a loan without all six pieces of information included in the definition of an application?

A: Yes. Loan originators may process a loan after they have issued a GFE and the borrower has received the GFE and has decided to proceed with the loan. It is presumed that, prior to issuing a GFE, a loan originator has received all six pieces of information.

25) **Q:** When a mortgage broker receives an application or information sufficient to complete an application, when does the lender who agrees to go forward on the application have to provide the GFE?

A: Not later than 3 business days after the mortgage broker received the application or information sufficient to complete the application, either the lender or the mortgage broker must provide a GFE. The lender is responsible for ascertaining whether the GFE has been provided.

26) **Q:** If a lender agrees to proceed with a transaction for which a mortgage broker has provided the GFE to the borrower, may the lender provide a revised GFE?

A: The lender may provide a revised GFE consistent with the provisions of 24 CFR § 3500.7(f).

27) **Q:** May additional pages be added to the GFE to allow for all charges to be shown? If so, is it an addendum or an extension of page 2?

A: No. Additional pages or addendums may not be added to the GFE. The standardized GFE form set forth in Appendix C to the Rule is the required GFE form and must be provided exactly as specified, except that Blocks 3, 6, and 11 on page 2 may be adapted to use in particular loan situations, so that additional lines may be inserted there, and unused lines may be deleted. Lines may be added to Blocks 3, 6 and 11 vertically and horizontally as shown in the examples below.

Vertical line example:

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

Horizontal line example:

Service	Charge	Service	Charge

28) **Q:** May a loan originator alter the GFE by adding signature lines to the GFE?

A: No. However, loan originators may develop practices and procedures to document the consumer's acknowledgement of receipt of the GFE. Loan originators may not refuse to provide a GFE based upon a consumer's refusal to acknowledge receipt of the GFE. Acknowledgement of receipt of a GFE, by itself, does not constitute an expression of an intention to proceed with the loan covered by the GFE.

29) **Q:** If a mortgage broker provides the initial GFE and the lender accepts the loan, can the lender issue a new initial GFE?

A: No. The lender is bound by the charges and terms disclosed on the initial GFE provided by the mortgage broker.

30) **Q:** If the borrower has locked the interest rate, how should the loan originator complete Line 4 in the "Important dates" section of the GFE?

A: The loan originator should complete Line 4 in the "Important dates" section of the GFE with "Not Applicable" or "N/A" after the borrower has locked the interest rate.

31) **Q:** May the originator require the borrower to sign consents to verify employment, income or deposits prior to issuing a GFE without violating 3500.7(a)(5)'s prohibition on requiring the applicant to submit supplemental documentation to verify information provided on the application?

A: No, a loan originator may not require a borrower to sign consents to verify employment, income or deposits as a condition of issuing a GFE as such a requirement may inhibit borrowers from shopping for the best loan by leading borrowers to believe that they are committed to obtaining a loan from that loan originator (see 24 CFR § 3500.7(a) (5) and (b) (5)). However, the borrower may voluntarily sign consents prior to the issuance of the GFE to facilitate the loan process.

32) **Q:** Does a loan originator have to show an appraisal fee (or other fee) paid to a third party on the GFE and HUD-1 even if the loan originator wants to cover 100% of the fee?

A: Yes. The loan originator must list all required third party services on the GFE and HUD-1 regardless of whether the charge is paid by the borrower, seller, loan originator or any other party (except for administrative and processing services). If any party other than the borrower is paying for a service that was on the GFE, such as the appraisal fee, the charge remains in the borrower's column on the HUD-1. A credit from the paying party to the borrower to offset the charge should be listed on the first page of the HUD-1 in Lines 204-209 and, if the service was paid by the seller, Lines 506-509 respectively.

The credit for the appraisal fee (or other fee) could also be offset by a credit disclosed as a negative number in Line A of the GFE and listed as a negative number in Line 803 of the HUD-1.

The following two questions address preapprovals. For the purposes of these questions, a preapproval is a document issued by a lender stating that a consumer qualifies for a specific loan amount. A preapproval is intended to assist a consumer who is shopping for a house by enabling the consumer to enter into a purchase contract that does not contain a financing contingency. A preapproval is never to be used as a substitute for a GFE. If an applicant has chosen a property to purchase and the loan originator is willing to qualify the applicant for a specific loan amount, then a loan originator should issue the applicant a GFE that facilitates shopping for a loan, not just a preapproval used to shop for a property. For example, a lender may never issue only a preapproval to an applicant seeking to refinance his or her loan; the lender must also issue a GFE.

33) **Q:** Can a loan originator provide a GFE without a property address?

A: Yes, a loan originator can determine that a property address is not one of the required pieces of information that the loan originator needs in order to issue a GFE. It is important to note that a loan originator must consistently apply its policy on the information it deems necessary to issue a GFE, and the RESPA rule requires a loan originator to issue a GFE whenever it receives information sufficient to complete an application for a GFE. As a result, if a loan originator received an application for a preapproval and that application included all of the pieces of information that the loan originator requires to issue a GFE, the loan originator must issue a GFE and all of the rules that govern the GFE process would apply. In addition, if a GFE is issued without a

property address, the future receipt of the property address is not a changed circumstance that would allow the loan originator to issue a revised GFE.

34) Q: Does RESPA prevent a loan originator from verifying information on an application for a preapproval?

A: The RESPA regulations do not address preapprovals. If the loan originator is missing one of the elements it requires for a loan application (e.g., the property address) and is not required to provide a GFE, the originator is not prevented from verifying information for which the customer voluntarily provides documentation. The loan originator can also always use its own sources to independently verify the information on a borrower's application for a preapproval, regardless of whether it could also be treated as an application for a GFE. However, if a loan originator should have issued a GFE along with the preapproval – specifically, the prospective borrower's application has sufficient information to be treated as an application for a GFE – then all the requirements of the GFE apply. These requirements include the prohibition on a loan originator requiring that a prospective borrower provide supplemental documentation to verify the information provided on the application as a condition of providing the GFE, and the limitation on fees that a loan originator can charge the prospective borrower as a condition of providing the GFE. Therefore, if a loan originator receives an application from a prospective borrower for a preapproval, and that application contains enough information to also provide a GFE, then the loan originator is prohibited from requiring supplemental documentation from that prospective borrower to verify the information as a condition for providing the GFE.

The following two questions address worksheets. For purposes of these questions a worksheet is a document issued by a loan originator that may include generic information regarding interest rates and loan fees, or a document that may provide additional information to the consumer regarding the cost of the overall transaction outside of loan fees that are disclosed on the GFE.

35) Q: Can a worksheet be provided to a customer for a rate quote if the consumer does not want to provide the information necessary to generate a GFE?

A: Yes, however loan originators should ensure the following: (1) to eliminate consumer confusion, a worksheet should not look like a GFE and should not lead the customer to believe that it is a GFE; (2) a loan originator should NEVER use a worksheet in lieu of a GFE; and (3) as stated in previous guidance, under RESPA regulations, when a loan originator receives an application or information sufficient to complete an application, the loan originator must issue a GFE.

36) Q: Can a worksheet be used in conjunction with a GFE?

A: Yes, a loan originator may use a worksheet to provide the consumer with additional information about his or her loan transaction, such as the amount of cash needed to close, seller credits, and other non-loan transaction fees that would be helpful to the consumer.

37) Q: If a loan contains mortgage insurance that is paid by the lender (LPMI) and will not be charged separately to the borrower, should the loan originator disclose it in the “Summary of your loan” section of the GFE or as a charge in any Block on the GFE?

A: No, because the LPMI has already been captured in the interest rate and is not charged separately to the borrower, it is not disclosed on the GFE.

GFE – Seller paid items

1) **Q:** If at the time a GFE is issued it is known that the seller will pay settlement charges typically paid by the borrower, how are the charges disclosed on the GFE?

A: All charges typically paid by the borrower must be disclosed on the GFE regardless of whether the charges will be paid for by the borrower, the seller, or other party.

2) **Q:** Are charges to the seller listed on the GFE?

A: RESPA requires that only the borrower receive a GFE. The GFE is defined as an estimate of settlement charges a borrower is likely to incur in connection with the settlement. Charges that typically would not be charged to the borrower, but would be charged to another party—such as the seller—do not have to be included on the GFE. If the borrower typically would incur charges for title services and lender's and owner's title insurance, the GFE instructions make it clear that those charges are required to be listed regardless of whether, for example, the contract requires the seller to pay for the service. If there is a question about whether the borrower or seller is to pay for a particular settlement service, the charge for that service should be disclosed on the GFE.

GFE – Expiration

1) **Q:** When does a GFE expire?

A: If a borrower does not express an intent to continue with an application within ten business days after the GFE is provided (or such longer time period specified by the loan originator), the loan originator is no longer bound by the GFE.

GFE – Denial

1) **Q:** If a loan originator denies the loan before the end of the three business day period after application, does the loan originator need to issue a GFE?

A: No, the loan originator is not required to issue a GFE if, before the end of the three business day period, the loan originator denies the application or the loan applicant withdraws the application.

2) **Q:** Section 3500.7 of RESPA states that the GFE need not be provided if mortgage broker or lender declines the application or the applicant withdraws the application within the three business day period after application. The provisions for the Special Information Booklet state that the lender need not provide the Special Information Booklet if the lender denies the application before the end of the three business day period. Does the Special Information Booklet

need to be provided if the mortgage broker declines the application or the applicant withdraws the application within the three business day period?

A: No, the Special Information Booklet does not need to be provided if the loan originator declines the application or the applicant withdraws the application within the three business day period.

GFE – Written list of providers

1) **Q:** When do loan originators have to provide the borrower with a written list of identified providers?

A: When a loan originator permits a borrower to shop for third-party settlement services, the loan originator must provide the borrower with a written list of settlement services providers at the time of the GFE, on a separate sheet of paper.

2) **Q:** Does the borrower have to select a settlement service provider from the loan originator's written list of settlement service providers?

A: No. If the loan originator permits a borrower to shop for a settlement service provider, the borrower may choose a qualified provider that is not on the originator's written list.

3) **Q:** If the borrower chooses a settlement service provider that is not on the written list, does the tolerance apply?

A: No, if the borrower chooses a settlement service provider that is not on the loan originator's written list of providers, the amount paid for that service is not subject to a tolerance.

4) **Q:** The GFE Instructions require that where a loan originator permits a borrower to shop for third party settlement services covered in Blocks 4, 5, or 6, the loan originator must provide the borrower with a separate written list of settlement service providers at the time of the GFE. Is inclusion on the written list of identified providers considered a referral under Section 3500.14?

A: Yes, the inclusion of a specifically identified settlement service provider on the "written list" is considered to be a referral under 24 CFR § 3500.14(f).

5) **Q:** If a mortgage broker provides the GFE and the "written list" of settlement service providers and the borrower chooses to use a provider identified on the "written list" for a service, is the lender subject to tolerances for those services?

A: Yes, if the lender permits a mortgage broker to issue the GFE and the "written list" of providers, the lender is subject to the tolerances for the services in which the borrower chooses to use the identified provider.

6) **Q:** In lieu of providing the "written list" of providers, may the loan originator disclose to the borrower that if they specifically wish to shop for their own provider, but have difficulty finding a provider for a service at the disclosed price that they may contact the loan originator to ask the loan originator to identify a provider?

A: No. Where a loan originator permits a borrower to shop for third party settlement services, the loan originator must provide the borrower with a written list of settlement service providers at the time of the GFE, on a separate sheet of paper.

7) **Q:** Must the loan originator provide names only of those settlement service providers known to do business in the locality of the mortgage property or may the loan originator provide a list of national settlement service providers who may or may not do business in the locality of the mortgaged property?

A: The requirements for the new GFE form provide that “[w]here the loan originator permits a borrower to shop for third party settlement services, the loan originator must provide the borrower with a written list of settlement services providers.” The list should contain settlement service providers that are likely available to provide the settlement service for the borrower.

8) **Q:** In some cases, law or local custom may require, or consumers may prefer, to have one provider conduct the settlement and another provider perform the remainder of the services included within the “Title Services and Lender’s Title Insurance” category on the GFE (Block 4 on page 2). How should the fees and providers for these services be listed on the GFE, the Written List of Service Providers, and the comparison table on page 3 of the HUD-1 (page 2 of the HUD-1A)?

A: The preferred method of disclosing the GFE Block 4 charges on the Written List of Service Providers is to list a set of single providers where each is capable of coordinating or performing all of the services provided within the “Title Services and lender’s title insurance” category. Due to a wide variety of practices across the country, an alternate option is explained below that allows for the separate identification of providers to conduct settlement (or closing) and providers of lender’s title insurance and the related services on the Written List of Providers and the HUD-1/1A.

GFE

- In all cases, the GFE shall be completed with the total estimated fees for “Title Services and Lender’s Title Insurance” combined in Block 4. Provider names are not listed on the GFE.

Written List of Providers

- For Block 4, the loan originator may separate the services in the Written List of Providers to show providers that conduct settlements (or closings) separately from providers of lender’s title insurance and the related services
- If Block 4 services are separated on the Written List of Providers, the associated estimated fee for the component service must be listed next to the header for the list of providers of that service
- The sum of the estimated fees for the two services must equal the amount in Block 4
- Only two (2) categories of service providers may be listed: providers that conduct settlements (or closings) and providers of lender’s title insurance and the related services

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- If the consumer chooses neither service provider from the list:
 - The lump sum of Block 4 would be placed in “Charges that Can Change”
 - Both service providers should be listed in the blank for service provider names, for example: XYZ Settlement Services/ABC Title Agency
- If the consumer chooses a provider of one of the services from the list:
 - The service provider that was chosen from the Written List would be included in “Charges That in Total Cannot Increase More than 10%” with the associated estimated fee from the Written List of Providers in the GFE column and the actual fees for that service from that provider in the HUD-1 column. The service performed by the provider not chosen from the Written List of Providers would be listed in the “Charges that can Change Section” with the associated estimated and actual fees.
 - The total of the estimated fees in the GFE column (from both tolerance sections) must equal the amount in Block 4 of the GFE
 - The total of the actual fees in the HUD-1 column (from both tolerance sections) must equal the total of all “Title services and lender’s title insurance” actual charges
- If the consumer chooses the providers of both services from the Written List:
 - The Block 4 total is listed in the “Charges That in Total Cannot Increase More than 10%” column.
 - Both service providers should be listed in the blank for service provider names, for example: XYZ Settlement Services/ABC Title Agency
 - The total estimated and actual fees for both providers would be listed in the respective GFE and HUD-1 columns.

9) **Q:** May a loan originator include an affiliated business on the “written list” of settlement service providers that must be provided with the GFE?

A: Yes. A loan originator may identify an affiliated business on the “written list”. The “affiliated business arrangement disclosure” must be provided at the time the GFE is provided to the borrower or at the time of referral, whichever is earlier.

10) **Q:** Does the requirement for a “written list” apply to Block 4, “Title services and lender’s title insurance” on the GFE?

A: Yes. The loan originator must provide a “written list” of settlement service providers, including providers of “Title services and lender’s title insurance” if the loan originator permits the borrower to shop for that settlement service.

11) **Q:** May a loan originator state on the “written list” that the loan originator is not endorsing the quality of a settlement service providers service?

A: Yes, the loan originator may include a statement on the “written list” that the listing of a service provider on the “written list” does not constitute an endorsement of that service provider.

GFE – “Changed circumstances”

1) **Q:** Once a GFE is issued are there any circumstances under which the loan terms or charges can change?

A: Yes. The loan terms or charges can change in the event that there are changed circumstances. “Changed circumstances” is now defined in § 3500.2 as: (1) Acts of God, war, disaster, or other emergency; (2) Information particular to the borrower or transaction that was relied on in providing the GFE and that changes or is found to be inaccurate after the GFE has been provided, which information may include information about the credit quality of the borrower, the amount of the loan, the estimated value of the property, or any other information that was used in providing the GFE; (3) New information particular to the borrower or transaction that was not relied on in providing the GFE; or (4) Other circumstances that are particular to the borrower or transaction, including boundary disputes, the need for flood insurance, or environmental problems.

None of the information collected by the loan originator prior to issuing the GFE may later become the basis for a “changed circumstance” upon which a loan originator may offer a revised GFE, unless the loan originator can demonstrate that there was a change in the particular information or that it was inaccurate, or that the loan originator did not rely on that particular information in issuing the GFE. In addition, the loan originator is presumed to have relied on the borrower’s name, the borrower’s monthly income, the property address, an estimate of the value of the property, the mortgage loan amount sought, and any information contained in any credit report obtained by the loan originator before providing the GFE. The loan originator cannot base a revision of the GFE on this information, unless it changed or is later found to be inaccurate.

2) **Q:** Would the discovery of additional documents (such as releases) that must be recorded causing an increase in government recording fees be considered a “changed circumstance” allowing the loan originator to provide a revised GFE?

A: The discovery of previously undisclosed circumstances affecting settlement costs such as unreleased liens could be considered a “changed circumstance.” A loan originator may choose to issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance” or may choose not to reissue a GFE if the increase is minimal. If the loan originator chooses to issue a revised GFE, only the increase in recording fees may change on the GFE: all other charges must remain the same.

3) **Q:** If there is a “changed circumstance,” when does the loan originator issue a new GFE?

A: When there is a “changed circumstance” and the loan originator intends to issue a revised GFE, the loan originator must do so within three business days of receiving the

information sufficient to establish changed circumstances. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

4) **Q:** If a loan originator issues a revised GFE based on changed circumstances, how long must the loan originator retain documentation for providing a revised GFE?

A: The documentation that establishes changed circumstances must be retained for no less than three years after settlement of the loan.

5) **Q:** If circumstances change, may a loan originator issue a revised GFE with changes to all of the charges and terms related to the loan?

A: No, the loan originator may only change those charges and terms that are affected by the specific changed circumstance.

6) **Q:** If a revised GFE is provided due to changed circumstances or a borrower requested change, then how would line 1 of the Important Dates section be completed if the borrower has already locked the rate shown on the revised GFE?

A: The revised GFE must only reflect the affected loan terms and settlement charges from the changed circumstance. If the rate lock period has not been affected, the same information from the preceding GFE should be entered in Line 1 in the “Important dates” section on the GFE.

7) **Q:** If a revised GFE is provided due to changed circumstances affecting the loan or a borrower requested change, how would line 1 of the Important Dates section be completed if the borrower has not locked the rate shown on the revised GFE?

A: For changed circumstances affecting the loan or borrower-requested changes, if the borrower has not locked in the interest rate, Line 1 in the “Important dates” section on the GFE may be updated to accurately reflect the correct dates and time periods.

8) **Q:** Are the following sufficient to establish “changed circumstances” consistent with 24 CFR § 3500.7(f)?

i) A mortgage broker issues a GFE that the lender does not accept.

A: This does not constitute a changed circumstance.

ii) If a GFE is issued without a property address, the later identification of a property address.

A: If a loan originator issues a GFE without identifying a property address, the subsequent identification of the property address, in and of itself, is not considered a changed circumstance.

iii) The borrower does not proceed to closing quickly upon final approval or does not act diligently in providing information to the lender.

A: The particular facts of each situation must be examined to determine if the facts constitute a changed circumstance.

iv) GSE, FHA or Mortgage Insurance program changes.

A: This could constitute a changed circumstance if the loan originator did not have notice of the GSE, FHA or other mortgage insurance program change prior to the issuance of the GFE. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

v) The property address provided by the applicant, turns out to not be the correct, legal address.

A: This could constitute a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

vi) After the GFE is issued, parties are added to or removed from title or the property is moved into or out of trust.

A: These situations could be considered changed circumstances. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

vii) During or as part of the transaction, it is determined that the property use may change, such as from owner-occupied to rental property.

A: This could constitute a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”. It should be noted that business purpose loans are not covered by RESPA. See 24 CFR §3500.5.

viii) After the GFE is issued, it is determined that a party will be using a POA to sign, which may require additional work and additional fees.

A: This could be considered a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

ix) Credit policy is required to change after the GFE is issued due to regulatory changes such as fees charged by government agencies for recording fees or taxes change after the GFE is issued.

A: This could constitute a changed circumstance if the loan originator did not have notice of the regulatory change prior to the issuance of the GFE. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

x) The loan does not close by the close date in the original Purchase Agreement or Construction Agreement provided to the lender.

A: The particular facts of each situation must be examined to determine if the facts constitute a changed circumstance.

xi) The vendor originally selected to perform a settlement service goes out of business or stops offering the service.

A: The particular facts of each situation must be examined to determine if the facts constitute a changed circumstance.

xii) AVMs are commonly used for the property type and loan amount requested, but the AVM request comes back with a “no hit,” necessitating the use of a more expensive valuation method.

A: This could constitute a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

xiii) After the GFE is issued, it is determined that an additional service such as an additional pest, structural or other inspection, upgraded appraisal, certification, survey or other requirement is required by the loan originator in connection with the transaction.

A: This could constitute a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

xiv) The borrower’s credit score changes.

A: This could constitute a changed circumstance. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

xv) A mortgage broker issues a GFE based on one lender’s loan products and origination fees, but places the loan with a different lender.

A: No, this would not constitute a changed circumstance.

9) **Q:** If a GFE is revised to reflect a changed circumstance, may other charges on the GFE be made to reflect market fluctuations?

A: No. A GFE may not be revised to reflect market fluctuations.

10) **Q:** If there is a changed circumstance and the mortgage broker issued the GFE, may the lender issue the revised GFE reflecting the changed circumstances?

A: Yes. If there is a changed circumstance that allows for a revised GFE, either the mortgage broker or the lender may issue the revised GFE, but must also comply with the requirements for documenting and retaining documentation of the reason for the revised GFE. A loan originator may issue a revised GFE reflecting only the increased charges resulting from the “changed circumstance”.

11) **Q:** Information constituting a changed circumstance or borrower-requested changes might become available to the broker and lender at different times. When is the time for providing a revised GFE triggered?

A: If a revised GFE is to be provided, the loan originator must do so within 3 business days of receiving information sufficient to establish the changed circumstance. The 3 business days is triggered from the time of receipt by whichever loan originator, either the mortgage broker or the lender, receives the information first. Timely communication between the mortgage broker and the lender is essential to assure compliance.

12) **Q:** If there is a changed circumstance, do the mortgage broker and the lender both need to retain documentation of the reasons for any revised GFE?

A: Yes. If there is a changed circumstance resulting in a revised GFE, loan originators (mortgage brokers and lenders) both must retain documentation of the reasons for providing the revised GFE for no less than 3 years after settlement.

13) **Q:** If the borrower selects a service provider that was not selected or identified by the loan originator, is this considered a changed circumstance?

A: No, if the borrower selects a service provider that was not selected or identified by the loan originator it is not considered a changed circumstance.

14) **Q:** If the borrower initially selects a service provider not on the loan originator's written list, but then chooses to use a service provider identified by the loan originator, is this a changed circumstance?

A: No. If the borrower initially selects a service provider not on the loan originator's written list, but then chooses a service provider identified by the loan originator, this is not considered a changed circumstance.

GFE – New construction

1) **Q:** If a transaction involves new construction in which the loan may not close for months, how does this affect the issuance of a GFE?

A: In transactions involving new home purchases, where settlement is anticipated to occur more than 60 calendar days from the time a GFE is provided, the loan originator may provide the GFE to the borrower with a clear and conspicuous disclosure stating that at any time up until 60 calendar days prior to closing, the loan originator may issue a revised GFE. If no such separate disclosure is provided, the loan originator may not issue a revised GFE in the absence of changed circumstances or another event as provided in 24 CFR § 3500.7(f).

2) **Q:** For a loan originator to issue the separate disclosure to the GFE allowing a loan originator to revise the GFE at any time up to 60 days before settlement, must the new home be constructed specifically for the borrower or will any newly constructed home previously not occupied be eligible?

A: A new home purchase is the purchase of a home either to be constructed or under construction. In a transaction involving a new home purchase, if it is anticipated that settlement will not occur for more than 60 days after the GFE is provided, then a loan originator may provide a separate disclosure to the GFE that clearly states that the loan originator may revise the GFE at any time up to 60 days before settlement.

As an example of a means to determine if the home is under construction: if a use and occupancy permit has been issued for the home prior to the issuance of the GFE, then the home is not considered to be under construction and the transaction would not be a new home purchase for the purposes of 24 CFR § 3500.7(f)(6).

GFE – Page 1

GFE – Name of originator

1) **Q:** Should the name of the individual loan originator or the name of the loan origination entity go in the “Name of Originator” box at the top of page 1 of the GFE?

A: The name of the loan originator entity (such as ABC Loan Originator) must go in the box at the top of page 1 of the GFE. In addition to the name of the entity, the name of the individual loan originator may also be added.

2) **Q:** If an application is submitted through a mortgage broker but the lender is issuing the GFE, may either the mortgage broker or the lender be listed in the “Name of Originator” box at the top of page 1 on the GFE?

A: The loan originator that issues the GFE is the loan originator listed in the “Name of Originator” box at the top of page 1 of the GFE.

GFE – Important dates

1) **Q:** In the “Important dates” section of the GFE, where it states “The interest rate for this GFE is available through _____”, does the loan originator have to leave the interest rate open for a specific amount of time, like 10 days?

A: There are no restrictions on the amount of time the interest rate must remain available. The interest rate can be available for any period of time that the loan originator chooses, including for example, a period of time within one day or for several days.

2) **Q:** In the “Important dates” section of the GFE, line 2, for how long must the estimate for all other settlement charges be available?

A: The estimate for “all other settlement charges” in the “Important dates” section of the GFE must be available for at least ten business days.

3) **Q:** What charges can change before the interest rate is locked?

A: With the exception of interest rate-dependent charges and terms, the charges and terms for all settlement services on the GFE must be available for 10 business days from when the GFE is provided, or for such longer period of time as the loan originator provides in item 2 of the “Important dates” section of the GFE. The interest rate-dependent charges and terms cannot change before the expiration of the period indicated by the loan originator in item 1 of the “Important dates” section of the GFE. Between the period of time indicated in item 1 and item 2 of the “Important dates” section, only interest rate-dependent charges may change until the interest rate is locked. After the expiration of the period indicated in item 2 of the “Important dates” section, the loan originator is permitted to change all of the charges and terms on the GFE (assuming that the interest rate is no longer available, as indicated in item 1 of the “Important dates” section). Interest rate-dependent charges and terms include: (1) “Your charge or credit (points) for the specific interest rate chosen,” in Block 2 on page 2 of the GFE; (2) “Your adjusted origination charges” on Line A on page 2 of the GFE; (3) “Daily interest charges” in Block 10 of the GFE; and (4) interest rate-related loan terms, such as monthly amount owed.

4) **Q:** If the interest rate is locked at the time the GFE is issued, how should the loan originator complete Lines 1, 3, and 4 in the “Important dates” section on the GFE?

A: When the interest rate is locked before the GFE is issued, the information in Line 1 in the “Important dates” section on the GFE must be completed by disclosing the date that the interest rate lock will expire, Line 3 must be completed to state the number of days the interest rate lock period is good through, and Line 4 must be completed with “N/A”.

5) **Q: If a lender does not offer a rate lock, how should Line 1 in the “Important dates” section on the GFE be completed?**

A: Line 1 is completed the same way whether or not the lender offers a rate lock. In Line 1, the loan originator must state the date, and if applicable, time until which the interest rate for the GFE will be available.

6) **Q:** If a lender does not offer a rate lock, how should Lines 3 and 4 in the “Important dates” section on the GFE be completed?

A: If the lender does not offer a rate lock, then Lines 3 and 4 of the “Important dates” section should state “Not Available” or “NA.”

7) **Q:** If a revised GFE is provided due to changed circumstances or a borrower requested change, is it necessary to complete Line 3 of the “Important Dates” section of the GFE if the borrower has already locked the rate shown on the revised GFE?

A: Yes, the loan originator must complete Line 3 in the “Important dates” section with the information that was on the preceding GFE, unless the rate lock period was the basis for the issuance of a revised GFE.

8) **Q:** The estimate of “all other settlement charges” in the “Important dates” section on the GFE must be available for at least 10 business days. When a GFE is mailed, are the 10 business days measured from when it is mailed?

A: Yes. The estimate of “all other settlement charges” in the “Important dates” section on the GFE must be available for at least 10 business days from when the GFE is provided, which, in this instance, is the date the GFE is placed in the mail to the borrower. The originator should put the date the GFE is provided into the box for “Date of GFE”.

9) **Q:** If state law does not permit a mortgage broker to provide an interest rate, how should the mortgage broker complete the “Important dates” section on the GFE?

A: RESPA and HUD’s regulations do not exempt any person from complying with consistent laws of any state. HUD’s regulations provide a process for addressing questions of consistency between state laws and RESPA. See 24 CFR § 3500.13.

10) **Q:** If a loan originator offers a “float-down” lock option, how would the loan originator complete the “Important dates” section on the GFE?

A: A “float-down” option should not affect any of the lines in the “Important dates” section on the GFE.

11) **Q:** The loan originator must state how many calendar days within which the applicant must go to settlement once the interest rate is locked. The number of days cannot be determined until the lock period is determined. May the loan originator enter a range of days for allowable lock periods? Must the loan originator account for the rescission period if the loan is rescindable?

A: No, the loan originator may not enter a range of rate lock options on the GFE. Line 3 requires the disclosure of the number of days in which the borrower must go to settlement. Line 3 in the “Important dates” section on the GFE must be completed with one rate lock period and may need to take into account factors affecting the settlement date.

12) **Q:** If a revised GFE is provided due to changed circumstances or a borrower requested change, must a loan originator complete Line 2 in the “Important Dates” section on the revised GFE if the shopping period has ended and the borrower has already expressed intent to continue with the application?

A: Yes, the loan originator must complete Line 2 in the “Important dates” section with the same date from the last GFE. The borrower is not required to re-indicate the intent to proceed with the revised GFE because the borrower has previously expressed an intent to move forward with the transaction.

13) **Q:** If a lender accepts a GFE issued by a mortgage broker, may the lender revise the information contained in the “Important dates” section on the GFE?

A: No, after the lender has accepted the GFE issued by a mortgage broker, the lender may not revise the information contained in the “Important dates” section on the GFE, unless the revised GFE is issued in compliance with 24 CFR § 3500.7(f).

14) **Q:** If Line 1 in the “Important dates” section of the GFE changes, does Line 2 of the same section also change?

A: No. Line 1 and Line 2 of the “Important dates” section are not related to each other. Line 1 is the date and time that the interest rate is good through. Line 2 is the date that all non-interest rate-dependent charges are good through (Blocks 1, 3, 4, 5, 6, 7, 8, 9 and 11). After the borrower expresses intent to proceed with the transaction, the estimates for Blocks 1, 3, 4, 5, 6, 7, 8, 9, and 11 may not change unless there is a “changed circumstance” or a borrower requested change.

15) **Q:** If the borrower expresses intent to proceed before the date disclosed in Line 2 in the “Important dates” section of the GFE expires, can the estimates for “Your Charges for All Other Settlement Services” change?

A: No. If the borrower has expressed an intent to proceed, the estimates for “Your Charges for All Other Settlement Services” may not change through settlement (except for Block 10) unless there is a “changed circumstance” or borrower requested change.

GFE – Summary of your loan

1) **Q:** In a refinance, does the prepayment penalty in the “Summary of your loan” section of the GFE refer to the loan being paid off or the new loan being applied for?

A: The prepayment penalty refers to the new loan the borrower is applying for.

2) **Q:** How should the loan originator complete the “Your initial monthly amount owed for principal, interest, and any mortgage insurance is” in the “Summary of your loan” section of the GFE for a loan that begins as an interest-only and then becomes fully amortized?

A: Regardless of the type of loan, the loan originator must fill in the initial monthly amount owed for principal, interest, and any mortgage insurance. The amount shown must be the greater of: (1) The required monthly payment for principal and interest for the first regularly scheduled payment, plus any monthly mortgage insurance payment; or (2) the accrued interest for the first regularly scheduled payment, plus any monthly mortgage insurance payment.

3) **Q:** May discretionary charges such as credit insurance be included in the “Your initial monthly amount for principal, interest, and any mortgage insurance is _____”?

A: No. “Your initial monthly amount for principal, interest and any mortgage insurance is _____” may not contain discretionary amounts such as credit insurance. It should only contain the combined charges of principal, interest, and mortgage insurance.

4) **Q:** What is meant by “initial loan amount.”?

A: The initial loan amount is the amount of the principal loan balance on the date of closing.

5) **Q:** Why did HUD use the term “initial loan amount”?

A: HUD used the term “initial loan amount” because some loans allow for negative amortization that will increase the loan balance over time. Negative amortization occurs when the interest accrued during a payment period is greater than the scheduled payment and the excess amount is added to the outstanding loan balance.

6) **Q:** What is meant by “initial interest rate”?

A: The initial interest rate is the interest rate that is applicable on the date of closing.

7) **Q:** If a loan contains a conditional preferred rate feature (such as a lower interest rate to an employee as long as the employee still works for the same employer), what is the “initial interest rate”? What is the first change date on loans containing conditional preferred rate features?

A: The initial interest rate is the interest rate that is applicable on the date of closing. If the first interest rate change date is not known due to a conditional preferred rate feature, the first change date box should state “unknown.”

8) **Q:** Are programs such as payment assistance programs, which can increase the borrower's loan balance, to be taken into consideration in answering the question, "Even if you make payments on time, can your loan balance rise"?

A: No, this question on the HUD-1 is intended to educate borrowers about certain potentially high risk loans, such as negative amortization loans. A borrower making monthly payments on these loans needs to be aware, e.g., that to the extent that the monthly payments do not cover the full amount of the interest owed during that month, the unpaid interest will be added to the loan balance. The instructions for completing this item on the GFE provide that repayment of assistance from federal, state, local, or tribal housing programs should be excluded from consideration in completing this item on the GFE.

9) **Q:** When an FHA loan is paid off, a borrower may have to pay interest on the loan from the day of payoff until the end of that month. Does this mean that a loan originator should check "Yes" to the question "Does your loan have a prepayment penalty?"

A: No. This is not considered a prepayment penalty. By letter dated September 29, 2009, the Federal Reserve Board of Governors stated to HUD that lenders which use the monthly interest accrual method required by FHA ". . . would not be required to treat the interest charged from the date of prepayment until the next installment due date as a prepayment penalty for any purpose under Regulation Z."

GFE – Escrow account information

1) **Q:** How does the loan originator complete the "Escrow account information" section on the GFE?

A: On the GFE, in the "Escrow account information" section, the first box is for the monthly payment that the borrower will owe for principal, interest, and mortgage insurance (i.e., the same amount shown above on the GFE as "Your initial monthly amount owed for principal, interest, and any mortgage insurance is"). If the lender does not require an escrow account, the loan originator should check the box for "No, you do not have an escrow account. You must pay these charges directly when due." If the lender does require an escrow account, the loan originator should check the box for "Yes, you have an escrow account. It may or may not cover all of these charges. Ask us."

2) **Q:** On the GFE, in the "Escrow account information" section, does the first block for the monthly amount owed include the amount of the estimated escrow payment?

A: No, the first block is for the monthly amount that will be owed for principal, interest, and mortgage insurance only. Additional information on charges relating to the escrow account is in Block 9 on page 2 of the GFE.

GFE – Page 2

1) **Q:** If a governmental loan program requires a borrower to select an “approved” service provider, such as a HUD approved housing counselor, should the service be disclosed in Block 3 or Block 6 on the GFE?

A: Even if a governmental loan program requires a borrower to select from only “approved” service providers (such as HUD approved housing counselors) the service must be disclosed in Block 6 on the GFE. If the loan originator selects a particular settlement service provider, the service must be disclosed in Block 3.

(Please note that the answer above also applies to reverse mortgage programs, see Reverse Mortgages #8.)

GFE – Block 1

1) **Q:** If there is a lender and a mortgage broker in the same transaction, where does the loan originator put the lender and mortgage broker charges?

A: The total of all charges for all loan originators (lenders and mortgage brokers) must be contained in Block 1, “Our origination charge” on page 2 of the GFE, except for any charge for the specific interest rate chosen.

2) **Q:** Where does the loan originator put the lender’s processing fee on the GFE?

A: All loan originator charges—including processing, application, administration fees, underwriting, document preparation, wire, lender inspection, mortgage broker, loan handling, and other miscellaneous fees—are contained in Block 1, “Our origination charge”.

3) **Q:** Can the charge shown on the GFE, Block 1, “Our origination charge”, increase after the GFE has been issued?

A: No. Block 1, “Our origination charge” cannot increase unless there is a “changed circumstance” as defined in 24 CFR § 3500.2.

4) **Q:** Where should fees such as loan originator’s Processing Fee, Underwriting Fee, and Wire Transfer Fee be disclosed on the GFE?

A: All origination charges for lenders and mortgage brokers, including fees for administrative and processing services, are included in the charge in Block 1 of the GFE, “Our origination charge” and should not be itemized separately.

5) **Q:** If a loan originator contracts loan document preparation to a third party, is this a separate charge on the GFE and the HUD-1?

A: No, loan document preparation is a processing and administrative service in the origination of a loan and is included in Block 1 of the GFE, “Our origination charge” (and in Line 801 of the HUD-1), and may not be separately itemized. See 24 CFR § 3500.8(b)(1).

6) **Q:** Are attorney's fees charged to prepare loan documents for the lender considered part of the charge for origination services disclosed on Block 1 of the GFE?

A: Yes, attorney's fees charged to prepare loan documents for the lender are considered part of the charge for origination services disclosed on Block 1 of the GFE and should not be separately itemized.

7) **Q:** Where would a loan originator's commitment fee (an administrative fee to provide a loan commitment) be disclosed on the GFE?

A: Any charge by a loan originator for the commitment period is included in Block 1 of the GFE, "Our origination charge". "Our origination charge" includes processing, application, administration fees, underwriting, document preparation, wire, lender inspection, mortgage broker, loan handling and other miscellaneous origination services provided by or on behalf of the loan originator.

8) **Q:** If all or a portion of the charge in Block 1 is calculated as a percentage of the loan amount, and the loan amount changes, can the loan originator issue a revised GFE with an updated charge in Block 1?

A: Yes, but only if issuance of a revised GFE is permissible under 24 CFR § 3500.7(f). In particular, if the loan amount changes and all or a portion of Block 1 is calculated as a percentage of the loan amount, then that portion in Block 1 may be recalculated.

9) **Q:** What charges are part of the charge in Block 1 of the GFE, "Our origination charge"?

A: Block 1, "Our origination charge" on the GFE contains all charges for origination services performed by or on behalf of a lender and/or a mortgage broker. Origination services includes, but is not limited to, the following: taking of the loan application, loan processing, underwriting of the loan, funding of the loan, acting as an intermediary between a borrower and lender, obtaining verifications and appraisals, and any processing and administrative services required to perform these functions.

10) **Q:** Is Block 1 of the GFE a finance charge?

A: Portions of Block 1 may be "finance charges". However, Block 1 of the GFE is all compensation for all loan originators. A "finance charge" is defined in the Truth-in-Lending Act, regulated by the Federal Reserve Board of Governors.

11) **Q: If the credit for the interest rate chosen (sometimes known as "yield spread premium" or YSP) is \$4,000, how much of that \$4,000 do I put in Block 1?**

A: It depends. Block 1, in effect, contains the mortgage broker's compensation for the loan plus any lender fees for origination (except for any charge for the specific interest rate chosen). The amount shown in Block 1 may contain all or some of the credit for the interest rate chosen.

Example #1:

Mortgage broker total compensation = \$4,000 Lender fees = \$500
 Credit for the interest rate chosen (YSP) = \$4,000

Block 1

	Mortgage broker total compensation	\$4,000
+	<u>Lender fees</u>	<u>\$500</u>
	Block 1	\$4,500

Block 2

	Credit for the interest rate chosen	-\$4,000
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Line A

	Block 1	\$4,500
	<u>Block 2</u>	<u>-\$4,000</u>
	Line A	\$ 500 (paid out-of-pocket by borrower for the adjusted origination charges)

Example #2:

Mortgage broker total compensation = \$3,000 Lender fees = \$500
 Credit for the interest rate chosen (YSP) = \$4,000

Block 1

	Mortgage broker total compensation	\$3,000
+	<u>Lender fees</u>	<u>\$500</u>
	Block 1	\$3,500

Block 2

	Credit for the interest rate chosen	-\$4,000
--	-------------------------------------	----------

Line A

	Block 1	\$3,500
	<u>Block 2</u>	<u>-\$4,000</u>
	Line A	-\$500 (i.e., \$500 available to be applied toward other settlement charges or disbursed at closing)

12) Q: Is there a potential tolerance violation if the amount in Line 801 on the HUD-1 decreases from the amount disclosed in Block 1 of the GFE?

A: No.

GFE – Block 2

1) **Q:** How does a loan originator show a “no-cost” loan on the GFE?

A: Where a “no-cost” loan encompasses the loan origination charge and some or all third party fees, a credit should be listed in Block 2 of the GFE to offset all fees encompassed in the “no-cost” loan resulting in a negative number in Block A to cover the intended third party fees, listed in Blocks 3 thru 11 as appropriate.

2) **Q:** I am a mortgage broker. If a lender is paying a yield spread premium through the loan, how do I show the charge for discount points on the GFE?

A: There may not be a credit for a yield spread premium and a charge for discount points in the same transaction. Only one box in GFE Block 2, “Your credit or charge for the specific interest rate chosen,” may be checked.

3) **Q:** How is a fee paid by the borrower to temporarily buy down the interest rate disclosed on the GFE? For example: how is a 3-2-1 buy down, in which the interest rate is below the note rate by 3 points for the first year, 2 points for the second year and 1 point for the third year, disclosed on the GFE?

A: A temporary buy-down of the interest rate is a charge to the borrower for the interest rate chosen on the loan and as shown in Block 2 of the GFE. A lender could check either the first or the third box in Block 2 of the GFE. A mortgage broker must check the third box in Block 2 of the GFE. If entered in the third box, the charge for the buy-down is entered in the blank space for the charge, and, whether entered in either the first or third box, the initial interest rate should be entered in the blank space for the interest rate.

4) **Q:** The regulation states that while the borrower’s interest rate is locked, the credit or charge for the interest rate chosen and the adjusted origination charge may not increase from the amount shown on the GFE. On a “no-cost” loan that covers third-party costs where the rate has been locked, the GFE should show a credit for the interest rate chosen, in an amount sufficient to cover the estimated loan originator and third party fees. If the actual third party fees at closing are lower than stated on the GFE, may the loan originator reduce the amount of the credit to match what is needed to pay the actual third party and loan originator fees?

A: No, the amount of the credit may not be reduced. The loan originator may choose to:
1) have the amount of the credit remain the same as stated on the GFE to cover additional closing costs previously not anticipated to be included in the “no-cost” loan; 2) apply a principal reduction to the principal balance; 3) reduce the interest rate and the credit accordingly; or 4) have the credit remain the same, resulting in cash to the borrower.

5) **Q:** A loan level price adjustment is a risk-based adjustment that is derived from specific attributes of the particular loan (LTV, FICO score, occupancy, etc.). How should a loan level price adjustment charged by the lender be disclosed on the GFE?

A: For transactions involving a mortgage broker, the credit or charge for the specific interest rate chosen is the net payment from the lender for the loan. If the net payment from the lender is positive, there is a credit to the borrower and it is entered as a negative amount in Block 2 of the GFE. If the net payment from the lender is negative, there is a charge to the borrower and it is entered as a positive amount in Block 2 of the GFE. The loan level price adjustment is included in the computation in Block 2, "Your credit or charge for the specific interest rate chosen."

6) **Q:** If the lender funds a transaction involving a mortgage broker and there is a credit to be given in Block 2 of the GFE, how does a loan originator calculate the amount of the credit?

A: For transactions involving a mortgage broker, the credit for Block 2 of the GFE is calculated as the net payment from the lender above the principal amount of the loan. The net payment from the lender includes any payments made from the lender to the broker. The resulting computation is stated as a dollar amount. The calculation of Block 2 is the same, whether or not the transaction is table funded.

7) **Q:** May the yield spread premium be shown as "Paid Outside of Closing" (P.O.C.) on the GFE and the HUD-1?

A: No. The yield spread premium is applied as a credit to the borrower in Block 2 on the GFE and in Line 802 on the HUD-1.

8) **Q:** Where on the GFE do I disclose an escrow waiver fee?

A: An escrow waiver fee is a type of loan level price adjustment and may be part of the calculation of Block 2 on the GFE. Alternatively, if the escrow waiver is known at the time of application, the charge for the escrow waiver can be included in "Our origination charge" disclosed in Block 1.

9) **Q:** If the borrower wants to waive the escrow account after the interest rate has been locked by the borrower, how can we show the escrow account waiver charge on the GFE?

A: If a borrower asks to waive the escrow account after the interest rate has been locked, the loan originator may issue a revised GFE based upon the borrower's requested change. Charges associated with the escrow account waiver should be disclosed by adjusting Block 2 on the revised GFE. Please note that an escrow waiver cannot be considered a borrower requested change and the GFE cannot be revised to reflect an escrow account waiver charge if the initial GFE stated that there was no escrow account on the loan.

GFE – Block 3

1) **Q:** Where should a VA funding fee be disclosed on the GFE?

A: Fees specific to government loan programs, such as a VA Funding Fee, should be disclosed in Block 3, "Required services that we select."

2) **Q:** What services belong in Block 3, “Required services that we select”?

A: Block 3 of the GFE contains the charges for all third-party settlement services (except title services) for which the loan originator requires and selects the provider of the service. Examples of these charges for services generally include but are not limited to, appraisal, credit report, tax service, flood certification and up-front mortgage insurance premiums.

3) **Q:** If a governmental loan program chooses a service provider such as the appraiser on a VA loan, should the settlement service be disclosed in Block 3 or Block 6 on the GFE?

A: If a governmental loan program chooses a settlement service provider, such as the appraiser on a VA loan, the settlement service should be disclosed in Block 3 on the GFE.

4) **Q:** If a lender requires a condominium certificate and questionnaire for loans on condominiums, where does the charge go on the GFE?

A: If a lender requires a condominium certificate and questionnaire for loans on condominiums, the service is performed by a third party and the borrower is not permitted to shop for the provider of that service, the charge for the condominium certificate and questionnaire must be disclosed in Block 3 of the GFE.

5) **Q: What Block on the GFE should contain a charge from the borrower’s employer or banking institution for the verification of employment (VOE) and the verification of deposit (VOD)?**

A: If the loan originator knows at the time it provides the GFE that there will likely be a charge by the borrower's employer or banking institution for the VOE or VOD, the amount of that charge should be estimated in Block 3 of the GFE.

GFE – Block 4

1) **Q:** Where should the quote for the Lender’s title insurance policy premium be disclosed on the GFE?

A: The Lender’s title insurance premium is part of Block 4, “Title services and lender’s title insurance” on the GFE, along with any fees for title searches, examinations, endorsements and all charges associated with the title services and settlement (closing) agent services.

2) **Q:** Are delivery fees included in “Title services” and therefore included in Block 4 of the GFE?

A: Yes, delivery fees are included in the definition of “title services” and are included in the charge shown in Block 4 of the GFE.

3) **Q:** Are notary fees included in “Title services” and therefore included in GFE Block 4?

A: Yes, notary fees are included in the definition of “title services” and are included in the charge shown in Block 4 of the GFE.

4) **Q:** Does “title services” include the settlement fee?

A: Yes, “Title services” is defined to include the service of conducting a settlement. See 24 CFR § 3500.2.

- 5) **Q:** How is the charge for conducting the settlement disclosed on the GFE?
A: The charge to the borrower for conducting the settlement must be included in the total of the charges in Block 4 for “Title services and lender’s title insurance”.
- 6) **Q:** Where do I put the charge for the title commitment on the GFE?
A: The term “title services” is defined to include any service involved in the preparation and issuance of the title insurance policies. See 24 CFR § 3500.2. On the GFE, the charge for title services is part of the total charge in Block 4 of the GFE.
- 7) **Q:** If it is common practice in the locality to charge both the seller and the borrower a separate charge for the service for conducting the settlement, how should the charges for that service be disclosed on the GFE?
A: The charge to the borrower for conducting the settlement must be included in the total for Block 4 of the GFE. Charges that the seller pays as a matter of common practice and experience are not disclosed on the GFE.

GFE – Block 5

- 1) **Q:** Do loan originators have to provide a price for Owner’s title insurance on the GFE?
A: Loan originators must provide an estimate of the charge for an Owner’s title insurance policy in Block 5, “Owner’s title insurance” on the GFE on all purchase transactions. For non-purchase transactions, the loan originator may enter “NA” or “Not Applicable” in this Block.
- 2) **Q:** If a seller typically pays for the Block 5, “Owner’s title insurance”, does the charge still have to be shown on the GFE?
A: Yes, an estimate of the cost must be shown in Block 5, “Owner’s title insurance” for all purchase transactions regardless of who is selecting or paying for it.
- 3) **Q:** If a borrower was quoted a basic owner’s title insurance policy, but requests an enhanced owner’s title insurance policy or an endorsement to the owner’s title insurance policy, should the loan originator issue a revised GFE?
A: If the borrower requests an enhanced owner’s title insurance policy or an endorsement to an owner’s title insurance policy after the loan originator issues the GFE, the loan originator may choose to treat such a request by the borrower as a changed circumstance. The loan originator may then choose to provide a revised GFE to the borrower to disclose the increased charges. If the increased charges do not exceed tolerances, the loan originator may opt not to issue a revised GFE.
- 4) **Q:** Should the loan originator quote the charge for a basic owner’s title insurance policy or an enhanced owner’s title insurance policy on the GFE?
A: The GFE is a disclosure of charges the borrower is likely to incur in connection with the settlement. The loan originator should quote the rate for a basic owner’s title insurance policy. If the borrower chooses an enhanced owner’s title insurance policy before the loan

originator issues the GFE, the loan originator should quote the rate for an enhanced owner's title insurance policy.

GFE – Block 6

1) **Q:** What charges are disclosed in Block 6 of the GFE?

A: Block 6 of the GFE includes third party services required by the lender where the borrower is permitted to shop for the provider, other than Title services and lender's title insurance (Block 4) and Owner's title insurance (Block 5). These types of charges include, but are not limited to: survey, pest inspection and other types of inspections required by the lender. Charges that are part of the sales contract, but are not required by the lender, are not disclosed on the GFE.

GFE – Block 8

1) **Q:** What is the definition of “transfer taxes”?

A: Transfer taxes are taxes charged by state and local governments on mortgages and home sales based upon the loan amount or sales price and on the property address.

2) **Q:** How is the transfer tax disclosed in Block 8 of the GFE?

A: The amount the borrower is likely to pay for transfer taxes is disclosed in Block 8 of the GFE. In some areas this amount, as a matter of practice, is governed by state or local laws. If state or local law is unclear or does not specifically attribute transfer tax to a seller or borrower, the amount to be disclosed on the GFE is governed by common practice or experience in the locality of the property.

If the seller is paying a portion of the transfer tax that was not disclosed on the GFE, then that portion should be listed in the seller's column in the 1200 series on the HUD-1.

GFE – Block 11

1) **Q:** What types of insurance are included on the GFE, Block 11, “Homeowner's insurance”?

A: Block 11 of the GFE contains estimates for premiums for all types of insurance (other than title insurance) that must be purchased to meet the loan originator's requirements to protect the property from loss, such as hazard insurance (homeowner's insurance), flood insurance, and earthquake insurance.

2) **Q:** Where should the charge for flood insurance go on the new GFE?

A: Flood insurance is a type of insurance that would protect the property from loss. The charge for flood insurance should be itemized in Block 11 on the GFE and included in the Block 11 total.

3) **Q: How should Block 11 be completed in a refinance where the new lender is requiring the borrower to maintain his or her existing hazard and flood insurance?**

A: If a borrower is refinancing the mortgage on his or her home and the new lender is requiring the borrower to maintain the existing hazard and flood insurance policies on the home, Block 11 may be completed with \$0.

GFE – Page 3

GFE – Tradeoff table

1) **Q: Are loan originators required to complete the Tradeoff table?**

A: The loan originator must complete the left-hand column (“The loan in this GFE”) of the Tradeoff table with the information pertaining to the loan as shown on page 1 of the GFE. The loan originator, at its option, may also complete the remaining sections in the Tradeoff table with the same information showing an alternate loan with a higher interest rate and one with a lower interest rate, if the loan originator has those loans available and would issue a GFE based on the same information provided by the applicant. The alternative loans must use the same loan amount and be identical to the loan in the GFE except for the interest rate and closing costs.

2) **Q: If a loan originator offers an adjustable interest rate (ARM) loan in which interest rate related charges may also be used to affect the margin of the loan; will the loan originator be prohibited from using the tradeoff table because of the different margin?**

A: The loan originator is required to complete only the left hand column on the tradeoff table, with information respective to the loan terms and settlement charges contained on the GFE. If the loan originator chooses to complete the remaining columns in the tradeoff table, the alternative loans must use the same loan amount and must be otherwise identical to the loan offered, including the margin.

Reverse Mortgages

1) **Q: Reverse mortgages do not have a “loan amount.” Rather there is an initial principal limit. In the loan summary section on the GFE and on page 3 of the HUD-1, what is considered the initial loan amount on a reverse mortgage?**

A: The initial loan amount on a reverse mortgage is the initial principal limit.

2) **Q:** Reverse mortgages do not have a “loan amount”; rather there is an initial principal limit. What is considered the loan amount for purposes of Line 202 on page 1 of the HUD-1?

A: The initial principal limit is considered to be the loan amount for purposes of completing Line 202 on page 1 of the HUD-1 and should be listed outside of the borrower’s column. If there is an initial draw, the description of the initial draw may be listed on a blank line in Lines 204- 209 with the amount in the borrower’s column.

The example below illustrates how this answer would appear:

202. Principal amount of new loan(s)	\$120,000.00	
203. Existing loan(s) taken subject to		
204. Initial draw		\$32,000.00

3) **Q:** In a reverse mortgage, the loan becomes due upon the occurrence of a specified event, such as the death of the borrower or the borrower no longer occupying the property for a certain period of time. What should be entered on the GFE and HUD-1/1A forms for the loan term?

A: If the loan term is conditioned upon a specific event in the future and the timing of that event is not known at the time the GFE is issued and the HUD-1 is prepared, (e.g. a reverse mortgage), the loan originator may enter “Not Applicable” or “N/A” for the loan term.

4) **Q:** Typically, there are no payments due on a reverse mortgage until the termination event occurs and the entire amount becomes due. What should reverse mortgage lenders fill in for “Your initial monthly amount owed for principal, interest, and any mortgage insurance is _____”?

A: If no loan payment for principal, interest or mortgage insurance is due for a reverse mortgage until a termination event occurs, the loan originator may enter either “Not Applicable” or “N/A” for the initial monthly payment in the appropriate spaces on the GFE and the HUD-1.

5) **Q:** In a reverse mortgage, how should the loan originator complete the answer to the question, “Even if you make payments on time, can your loan balance rise?”

A: In a typical reverse mortgage the loan balance will rise through accrued interest and future disbursements, if any, to the borrower. In these types of loans the box checked must indicate that the loan balance could rise. However, the maximum to which the loan balance can rise is not typically known with a reverse mortgage, and this maximum may be reported as “Unknown”.

The example below illustrates how this answer would appear:

Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes, it can rise to a maximum of \$ Unknown
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6) **Q:** In a reverse mortgage, how should the loan originator complete the answer to the question on the GFE, “Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?”

A: If no loan payment is due for principal, interest and mortgage insurance until a termination event occurs on a reverse mortgage, the loan originator may check the box “No” as the answer to the question, “Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?” on the GFE.

7) **Q:** In a reverse mortgage, the loan is typically repaid after a termination event occurs and is repaid in one payment. Does the repayment of a reverse mortgage constitute a balloon payment for purposes of answering the question, “Does your loan have a balloon payment?” in the “Summary of your loan terms” on the GFE?

A: No, the repayment of a reverse mortgage, if the payment is due solely because a termination event occurred, is not considered a balloon payment for purposes of the GFE and HUD-1 disclosure.

8) **Q:** If a governmental loan program requires a borrower to select an “approved” service provider, such as a HUD approved housing counselor, should the service be disclosed in Block 3 or Block 6 on the GFE?

A: Even if a governmental loan program requires a borrower to select from only “approved” service providers (such as HUD approved housing counselors) the service must be disclosed in Block 6 on the GFE. If the loan originator selects a particular settlement service provider, the service must be disclosed in Block 3.

(Please note that the answer above also applies to other loan programs, see GFE – Page 2, #1.)

9) **Q:** If the lender will establish an arrangement whereby the lender/servicer will pay items such as property taxes or homeowner’s insurance from a portion of the principal limit on a reverse mortgage, should the loan originator check the “Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.” in the escrow account information section on page 1 of the GFE?

A: Yes. If the lender will establish an arrangement whereby the lender/servicer will pay items such as property taxes or homeowner’s insurance from a portion of the principal limit on a reverse mortgage, the loan originator should check “Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.” in the escrow account information section on page 1 of the GFE.

The example below illustrates how this answer would appear:

<p>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 \$ "N/A" .</p> <p>Do we require you to have an escrow account for your loan?</p> <p><input type="checkbox"/> No, you do not have an escrow account. You must pay these charges directly when due.</p> <p><input checked="" type="checkbox"/> Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.</p>
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10) **Q:** For a reverse mortgage, should the loan originator complete the GFE with the initial interest rate to be contained in the Note or the expected rate in the “Important dates” section on page 1 of the GFE, “The interest rate for this GFE is available through _____. After this time, the interest rate, some of your loan Origination Charges and the monthly payment shown below can change until you lock your interest rate.”?

A: The loan originator should disclose the initial interest rate to be contained in the Note in the “Important dates” section on page 1 of the GFE, “The interest rate for this GFE is available through _____. After this time, the interest rate, some of your loan Origination Charges and the monthly payment shown below can change until you lock your interest rate.”

11) **Q:** For a reverse mortgage in which there is no monthly payment anticipated, how should the statement, “Your initial monthly amount owed for principal, interest and any mortgage insurance is,” on the “Loan terms” section on page 3 of the HUD-1?

A: If no loan payment is due for principal, interest and mortgage insurance until a termination event occurs on a reverse mortgage, the initial monthly amount owed in the “Loan terms” section on page 3 of the HUD-1 should be completed with “Not Applicable” or “N/A” for the statement “Your initial monthly amount owed for principal, interest and any mortgage insurance is,” and the boxes for principal, interest and mortgage insurance should not be checked.

The example below illustrates how this answer would appear:

Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ "N/A" includes
	<input type="checkbox"/> Principal
	<input type="checkbox"/> Interest
	<input type="checkbox"/> Mortgage Insurance

4) **Q:** How is an average charge calculated?

A: The settlement service provider using an average charge must define a specific class of transactions for a specific time period (not less than 30 calendar days, nor more than 6 months), for a specific geographical area, and for a specific loan type. The average charge is based on a calculation of the average amount paid for the settlement service for the particular class of transaction. HUD does not prescribe a particular method for calculating the average charge, but it must be determined in such a way that the total amounts paid by borrowers and sellers through use of an average charge will not exceed the total amounts paid to the applicable settlement service providers in the particular class of transactions.

5) **Q:** If in using the average charge method of calculating and disclosing settlement charges, a settlement service provider charges borrowers and sellers (in the aggregate) too much for the settlement service, does the excess amount need to be refunded or is it permissible for the provider to keep the excess amount?

A: The excess amount does not have to be refunded, but it is not permissible to retain the excess amount. The excess may be applied to the next average charge period, for example. When such a procedure is followed, the average charge applied for the subsequent class of transactions must be adjusted, so that the sum of the previous excess amount and the total amount paid by the borrowers and sellers in the subsequent class does not exceed the total amount paid to the applicable settlement service providers.

6) **Q:** If the charge for a settlement service is calculated using average charge, may the charge be waived or discounted?

A: Yes. The regulations prohibit charging *more* than the calculated average charge, but discounting or waiving a charge to a borrower is permitted.

7) **Q:** If a settlement service charge for a particular class is calculated using an average charge, may the average charge amount vary?

A: The average charge amount across a defined class of transactions may not increase from the calculated average charge for the predetermined time period. Discounts to the borrower are permitted.

8) **Q:** Are bona fide and reasonable charges under Regulation Z necessarily an ‘average charge’ that complies with RESPA’s specific restrictions on average charges? Are ‘average charges’ under RESPA necessarily bona fide and reasonable under Regulation Z?

A: The use of average charges under RESPA is governed by 24 CFR 3500.8(b)(2). HUD cannot interpret regulations promulgated by another federal agency such as Regulation Z (12 CFR part 226). Please refer to the Board of Governors of the Federal Reserve System for interpretations of Regulation Z.

Section 4 and 5 – Right to cure and tolerance violations

1) **Q:** If there is an inadvertent or technical error on the HUD-1, is this considered a violation of Section 4 of RESPA?

A: As long as a revised HUD-1 is provided to all parties within 30 calendar days after settlement, it would not be considered a violation of RESPA Section 4.

2) **Q:** Who is responsible for any tolerance violation?

A: The lender is responsible for curing tolerance violations.

3) **Q:** Does the settlement agent have to stop the closing if a tolerance would be violated?

A: No, the settlement agent does not need to stop the closing. While HUD recommends that the lender cure the tolerance violation at closing, the lender has 30 calendar days to cure.

4) **Q:** If a charge on the HUD-1 is less than the charge on the GFE, is this a tolerance violation?

A: No. It is permissible for charges to the borrower to decrease. This is not considered a violation.

5) **Q:** What happens if the charges are not properly calculated on the GFE and later result in a tolerance violation? Will the settlement agent be responsible for paying the difference to the consumer?

A: The lender is responsible for curing all tolerance violations; not the settlement agent. The lender must cure the violation at closing or within 30 days after settlement.

6) **Q:** If a loan originator pressures a settlement agent to reduce their charges or to ‘cover the difference’ to bring the costs into compliance with the tolerances, is that considered a violation of RESPA Section 8(a)?

A: If a loan originator (or other settlement service provider) pressures a settlement agent (or other settlement service provider) to reduce their charges or otherwise ‘cover the difference’ to bring the costs into compliance with the tolerances as a condition of receiving future referrals of business, it may be considered a potential violation of RESPA Section 8(a). Please contact the Office of RESPA and ILS to file a complaint.

7) **Q:** If the lender does not cure a tolerance violation at closing but does cure the violation within the 30-day right-to-cure period, who sends the borrower the reimbursement? Who prepares the revised HUD-1?

A: The lender is responsible for making the reimbursement, but either the lender or a third party authorized by the lender (including the settlement agent) may send the reimbursement to the borrower. RESPA and § 3500.8 of HUD's regulations require the settlement agent (person conducting the settlement) to complete the HUD-1 Settlement Statement. Therefore, a HUD-1 that is revised to adjust charges, such as to cure a tolerance violation, is also completed by the settlement agent.

8) **Q:** If the lender refunds money to a borrower to correct a tolerance violation and does not inform the settlement agent, has the settlement agent violated Section 4 of RESPA by not providing a revised HUD-1?

A: If the lender does not inform the settlement agent of the changes, the settlement agent is not in violation of Section 4 of RESPA for not providing an accurate HUD-1. The lender is responsible for informing the settlement agent of any changes that would necessitate a revised HUD-1 because the lender is responsible for transmitting to the settlement agent all information necessary to provide an accurate HUD-1. After the lender informs the settlement agent of changes, the settlement agent must correct the HUD-1 and provide copies of the corrected HUD-1 to the borrower, seller, and lender, as applicable.

9) **Q: How is a potential tolerance violation that is corrected by the lender shown on the HUD-1?**

A: The settlement agent must prepare a revised HUD-1 that states the actual charges paid by the borrower and seller. If the lender pays for a portion of a charge to cure a potential tolerance violation, the amounts for the charge shown on page 2 of the HUD-1 must be corrected to show the actual amount charged to the borrower. The settlement agent should include on a blank line in the applicable series a notation that the lender has made a P.O.C. payment of a specified amount to correct a potential tolerance violation. After the revised HUD-1 has been prepared by the settlement agent, the settlement agent must provide the revised HUD-1 to the borrower, the lender, and the seller as appropriate.

The example below illustrates how a cure for \$200.00 of transfer tax charges should be listed:

1200. Government Recording and Transfer Charges			
1201. Government recording charges			(from GFE #7)
1202. Deed \$	Mortgage \$	Release \$	
1203. Transfer taxes			(from GFE #8) \$800.00
1204. City/County tax/stamps	Deed \$ 1000.00	Mortgage \$	
1205. State tax/stamps	Deed \$	Mortgage \$	
1206. Transfer taxes	\$200 P.O.C (lender) to meet tolerance		

10) **Q:** Is the tolerance threshold for HUD-1 Lines 801, 802 and 803 separate or is the tolerance threshold the aggregate of the three lines?

A: HUD-1 Lines 801, 802 and 803 each have a separate tolerance threshold.

11) **Q:** If a settlement agent revises a HUD-1 to cure a technical error or to reflect a tolerance cure, may the settlement agent mark the HUD-1 as “Amended” to distinguish from the original HUD-1?

A: Yes. If a settlement agent revises a HUD-1 to cure a technical error or to reflect a tolerance cure, the settlement agent may mark the HUD-1 as “Amended” to distinguish it from the original HUD-1.

12) **Q:** May a credit for a tolerance cure be listed on page 1 of the HUD-1?

A: The cure for a potential tolerance violation may be listed as a credit to the borrower on page 1 of the HUD-1 with a description of the service(s) the credit is applied to. If the tolerance cure is applied to the overall tolerance category “Charges That in Total Cannot Increase More Than 10%”, the tolerance cure credit may be listed as a “lump sum” amount on a blank line in Lines 204 thru 209 with a description of the tolerance category cure.

This example illustrates a \$180 tolerance cure for the 10% tolerance category:

200. Amount Paid by or in Behalf of Borrower	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204. Cure for "10% Tolerance Category"	\$180.00

13) **Q:** If a seller or person other than the borrower pays for a settlement service (through a credit on page 1 of the HUD-1) and the lender corrects a potential tolerance violation for that service, may the seller or other person receive the tolerance correction or must it always go to the borrower?

A: The borrower must receive the tolerance correction in accordance with 24 C.F.R. §3500.7(i).

14) **Q:** In some areas the deed and deed of trust are recorded after a transaction closes and funds. If the actual amount of transfer taxes increases and the settlement agent later collects the increase from the borrower, would this be a tolerance violation even if it occurred after settlement?

A: Yes. Whether settlement charges are collected before, during or after settlement, if the charge exceeds the tolerance threshold, there is a tolerance violation.

15) **Q:** In some areas the deed and deed of trust are recorded after a transaction closes and funds. If the settlement agent pays the difference to get on record and intends to collect the increase from the borrower, may the lender reimburse the settlement agent directly to cure the potential tolerance violation?

A: If the settlement agent pays the difference in transfer tax on behalf of the borrower, the lender may reimburse the settlement agent. The settlement agent must prepare a revised HUD-1 showing the cure of the potential tolerance violation and send the revised HUD-1 to the parties in the transaction, as appropriate.

HUD-1

HUD-1 – General

1) **Q:** How are courier and overnight delivery fees shown on the HUD-1 Settlement Statement?

A: Courier and overnight delivery fees are considered to be fees for administrative or processing services. They are part of a primary service, such as the origination service or title service, and may not be separately itemized.

2) **Q:** Does voluntarily using the HUD-1 in a transaction that otherwise is not subject to RESPA result in RESPA applying to the transaction?

A: No, using the HUD-1 form does not subject a transaction to coverage under RESPA.

3) **Q:** Does “conducting a settlement” (from the definition of “title service”) have the same meaning as “conducting the closing”?

A: Yes. The terms “conducting a settlement” and “conducting the closing” have the same meaning under HUD's RESPA regulations and are subject to identical requirements under the regulations.

4) **Q:** May separate HUD-1s be given to the seller and the borrower with only their own information on each HUD-1?

A: Yes. It is permissible to have two separate HUD-1s in a transaction; one with the buyer's credits and charges only, and one with the seller's credits and charges only. The settlement agent must provide the lender with a copy of both HUD-1s when the borrower's and the seller's copies differ.

5) **Q:** If an addendum is used, can the following text be added to the HUD-1: “See attached addendum for additional information.”?

A: It is acceptable to insert such a reference where appropriate on the HUD-1 for the purpose of making it clear to the parties what the complete HUD-1 comprises.

6) **Q:** How should payments by the seller or real estate agent that are for settlement services included on the GFE be shown on the HUD-1?

A: If a seller or real estate agent pays for a charge that was included on the GFE, the charges should be listed in the borrower's column, with an offsetting credit reported in Lines 204-209 of the HUD-1, identifying the party paying the charge. For a seller-paid charge, the charge should also be listed in Lines 506-509. For a charge paid by the real estate agent, the name of the person paying the charge must also be listed.

7) **Q:** The instructions in Appendix A to Part 3500 for completing the HUD-1 indicate how fees that are paid outside of closing should be designated on the HUD-1. Can the convention "P.O.C. (B*)" be used instead, with the following footnote at the bottom of the page: "*Paid outside of closing by borrower"?

A: Yes, the HUD-1 Instructions require that P.O.C. items be listed on the HUD-1 by the settlement agent with an indication whether P.O.C. items are paid by the borrower, seller, or other party by marking the items paid for by whoever made the payment identified in parentheses, such as P.O.C. (borrower) or P.O.C. (seller). P.O.C. (B*) may also represent P.O.C. (borrower) and P.O.C. (S*) may also represent P.O.C. (seller) as long as a footnote is added to the HUD-1 clearly noting the party paying for the item such as *Paid outside of closing by borrower or *Paid outside of closing by seller.

8) **Q:** Where should fees for processing and administrative services be listed on the HUD-1 Settlement Statement?

A: Processing and administrative services are services to perform origination and title services functions. For the loan origination function, charges for such services are included in the total on Line 801. For the title services function, charges for such services must be included in the title underwriter's or title agent's charge and are shown in the total on Line 1101. Examples of processing and administrative services include, but are not limited to, the following: document delivery, document preparation, copying, wiring, preparing endorsements, document handling, and notarization.

9) **Q:** Where should the survey fee be disclosed on the HUD-1?

A: The location of the survey fee on the HUD-1 is determined as follows:

(a) if the loan originator required a survey as a condition of the loan and selected the settlement service provider, the charge for the survey must be listed on a blank line in the 800 series in the borrower's column;

(b) if the loan originator required a survey as a condition of the loan and the borrower selected the settlement service provider, the charge for the survey must be listed as part of the total in Line 1301 of the HUD-1 and itemized as applicable;

(c) if a survey was required to issue a lender's or owner's title insurance policy, the charge for the survey is part of the charge in Line 1101 and must be further itemized if performed by a third party;

(d) if the borrower elected to obtain a survey that was neither required by the loan originator nor required to issue a lender's or owner's title insurance policy, then the charge is listed in the borrower's column on a blank line in the 1300 series.

10) **Q:** May an addendum be added to the HUD-1 to list additional fees and other information?

A: Yes, an additional page may be attached to the HUD-1 to add sequentially numbered lines as needed to accommodate the complete listing of all items required to be shown on the HUD-1, and for the purpose of including customary recitals and information used locally in real estate settlements (for example, breakdown of payoff figures, a breakdown of borrower's total monthly mortgage payments, check disbursements, a statement indicating receipt of funds, applicable special stipulations between buyer and seller, and the date funds are transferred).

11) **Q:** The General Instructions indicate that if a charge has been shown on the GFE as payable by the borrower but at closing it is paid by another person, including by the loan originator in a loan other than a no-cost loan, the fee should be shown in the borrower's column on the HUD-1 and be offset by listing a credit to the borrower on lines 204-209 of the HUD-1. If a HUD-1A form is being used, lines 204-209 do not exist. How should the credit be shown on a HUD-1A form?

A: Use of the HUD-1A form is an optional form to be used by the settlement agent in a transaction in which there is not a seller and as otherwise appropriate. If the use of a HUD-1A form is not appropriate, such as if there is a credit given by a loan originator or other party, the settlement agent must use the HUD-1 form.

12) **Q:** In a transaction that is closed in the mortgage broker's name but is table funded by the lender, must the name and address of the funding lender be shown in Section F (consistent with definition of "lender" under 24 CFR § 3500.2(b)) or may the mortgage broker's name and address be shown?

A: The HUD-1 Instructions for Section F state that the name and address of the lender must be stated in this section. Therefore the name of the lender and not the mortgage broker must be stated in Section F on the HUD-1.

13) **Q:** What does the HUD-1 Instructions in Appendix A refer to when it states "these instructions"?

A: They refer to the instructions for completing the HUD-1 found in Appendix A pursuant to the Regulations at 24 CFR § 3500.8.

14) **Q:** What do the initials "RHS" stand for on page 1 of the HUD-1, B. Type of Loan, number 2?

A: The initials "RHS" on page 1 of the HUD-1, B. Type of Loan, number 2 stands for Rural Housing Service.

15) **Q:** Where should separate charges to the seller for the preparation of deeds or a closing charge be disclosed on the HUD-1?

A: Separate charges to be paid by the seller for settlement services that are not included in the definition of "title services" for the borrower must be disclosed on a blank line in the 1100 series on the HUD-1 in the seller's column.

HUD-1 – Page 1

HUD-1 – Seller-paid items

1) **Q:** What if at closing the seller is paying for a settlement service that was listed on the GFE, such as the Owner's title insurance policy? How is this shown on the HUD-1?

A: If the seller is paying for a service that was on the GFE, such as Owner's title insurance, the charge remains in the borrower's column on the HUD-1. A credit from the seller to

the borrower to offset the charge should be listed on the first page of the HUD-1 in Lines 204-209 and Lines 506-509 respectively.

2) **Q:** If the seller has agreed to pay charges that were disclosed on the borrower's GFE, how are these charges listed on the HUD-1?

A: The charge for any service which is disclosed on the borrower's GFE is listed in the borrower's column on the HUD-1. The amount charged to the borrower is offset by a credit in that amount in Lines 204-209 and by a charge to the seller in that amount in Lines 506-509 on page 1 of the HUD-1.

HUD-1 – 100 series

1) **Q:** What are examples of charges that would be listed in Line 104 and Line 105 on the HUD-1?

A: Lines 104 and 105 on the HUD-1 are for additional items owed by the borrower that are not on the GFE and items paid by the seller prior to settlement and being reimbursed to the seller from the borrower at settlement.

HUD-1 – 200 series

1) **Q:** When the borrower is using a second loan to help finance the purchase of a home, may both loans go on one HUD-1?

A: No, each loan must have a separate GFE and a separate HUD-1. The principal amount of the second loan must be listed outside the borrower's column with a brief explanation on Line 204-209 of the HUD-1 for the primary loan. If the net proceeds of the second loan are less than the principal amount, the net proceeds may be listed on the same line in the borrower's column.

The example below illustrates how the fields in this question may be completed.

204. Second loan (principal balance \$30,000)	\$29,400.00
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2) **Q:** What types of loans can be shown in Line 202 of the HUD-1?

A: Line 202 of the HUD-1 is used to state the amount of the loan in the mortgage transaction. The loan could be a purchase money loan, refinance, home equity loan, construction loan, or a manufactured home purchase loan.

3) **Q:** Where should the transferred escrow balance in a refinance transaction be listed on the HUD-1?

A: The transferred escrow balance should be listed as a credit in lines 204-209 of the HUD-1.

4) **Q:** May a real estate agent rebate a portion of the agent's commission to the borrower? If so, how should the rebate be listed on the HUD-1?

A: Yes, real estate agents may rebate a portion of the agent's commission to the borrower in a real estate transaction. The rebate must be listed as a credit on page 1 of the HUD-1

in Lines 204-209 and the name of the party giving the credit must be identified. Real estate agent or broker commission rebates to borrowers do not violate Section 8 of RESPA as long as no part of the commission rebate is tied to a referral of business.

HUD-1 – Page 2

1) **Q:** On which lines of page 2 of the HUD-1 is a person *not* required to be identified?

A: The general rule is that the names of all persons that received payment for each separately identified settlement service must be identified on page 2 of the HUD-1. There is not a requirement to identify persons on the following lines: 801, 802, 803, 901, the 1000 series, 1101, 1105, 1106, 1201, 1202, 1203, 1204, 1205 and 1301.

HUD-1 – 700 series

1) **Q:** Where do I put the percentage of commission to the real estate agents on the HUD-1?

A: The percentage used to compute the sales commission has been removed from the HUD-1 to better reflect current practices in the real estate industry. The total amount of the commission to each real estate broker or agent must be shown on Lines 701 and 702. The amount of the commissions disbursed at settlement must be shown inside the columns on Line 703.

2) **Q:** If a real estate agent is retaining some of the borrower's earnest money deposit as part of the agent's commission, is that amount listed in the 700-series on the HUD-1?

A: Yes, if a real estate agent is holding the borrower's earnest money deposit, the amount of the earnest money deposit applied towards the commission and the party holding the earnest money must be identified on Line 704 of the HUD-1 as Paid Outside of Closing or P.O.C. Only the amount of the commission disbursed at settlement is entered in the columns on Line 703.

HUD-1 – 800 series

1) **Q:** What charges are included in "Our origination charge" on Line 801 of the HUD-1?

A: Line 801 includes all charges received by a loan originator, except for any additional charge ("points") for the interest rate chosen on the loan. The amount on Line 801 also includes all amounts received for any service, including administrative and processing services, performed by or on behalf of the lender or any mortgage broker. (The amount on Line 801 is not listed in the columns.)

2) **Q:** If an attorney prepares loan documents for a lender, where does that charge go on the HUD-1?

A: Loan document preparation done on behalf of the loan originator is a processing and administrative service in the origination of a loan and is included in the charge on Line 801 of the HUD-1, and may not be separately itemized. See 24 CFR § 3500.8(b)(1).

3) **Q:** How does a settlement agent show a "no-cost" loan on the HUD-1?

A: In the case of "no-cost" loans where "no-cost" refers only to the loan originator's fees, a credit equal to the amount shown in Line 801 on the HUD-1 must be given in Line 802 of the

HUD-1 so that the adjusted origination charge in Line 803 of the HUD-1 equals zero. In the case of “no-cost” loans where “no-cost” encompasses some or all third party fees and the origination charge, a credit should be listed in Line 802 of the HUD-1 to offset all fees encompassed in the “no-cost” loan, resulting in a negative number for the adjusted origination charge on Line 803 of the HUD-1. The third party services covered by this offset must be itemized and listed in the borrower’s column.

4) **Q:** If a borrower pays some of the origination charge prior to closing, how should it be disclosed on the HUD-1?

A: The full charge for origination, except for any charge for the specific interest rate chosen (points), must be shown on Line 801 of the HUD-1 to the left of the borrower’s column. If the borrower pays some of the origination charge before settlement, an offsetting credit in that amount is shown on the first page of the HUD-1 in Lines 204 – 209. Lines 801, 802, and 803 of the HUD-1 may not contain any “Paid Outside of Closing” (P.O.C.) items.

5) **Q:** How is a payment from the lender to the mortgage broker that will be “paid outside of closing” (P.O.C.) shown on the GFE and HUD-1?

A: All payments from a lender to a mortgage broker must be shown as a credit to the borrower in Block 2 of the GFE and on Line 802 of the HUD-1. These payments may not be shown as P.O.C.

6) **Q:** What fees are to be recorded in the 800 series of the HUD-1, beginning on Line 804?

A: When the loan originator selects the settlement service provider, fees for third party settlement services that are required by the loan originator are recorded in the 800 series beginning on Line 804. These third party services and fees most often include appraisals, credit reports, flood searches, tax service, and governmental loan program charges, such as VA, FHA, Rural Housing Service, or state bond loan programs. Processing or administrative services are part of “Our origination charge” and may not be separately itemized. The HUD-1 Instructions for the 800 series explain which fees go on which lines.

7) **Q:** If state law requires further itemization of loan originator fees such as a commitment or underwriting fee, how should these fees be listed on the HUD-1?

A: If state law requires further itemization of loan originator fees than required under RESPA, those fees may be treated as other required disclosures and itemized on Line 808 and additional lines in the 800 series on the HUD-1 with the charge listed outside the borrower’s column.

8) **Q:** If the loan originator performs loan origination services typically performed by a third-party for the appraisal, credit report and/or flood certificate, are the charges for these services listed in Lines 804 thru 807 or are the charges included in the loan originator’s charge in Line 801 on the HUD-1?

A: Charges for the appraisal, credit report and/or flood certificate performed by the loan originator in a transaction must be included in the loan originator’s charge listed in Line 801 on the HUD-1.

9) **Q:** Is the charge for the Mortgage Electronic Registration System (MERS) registration fee a charge that may be separately itemized in the 800 series on the HUD-1?

A: No, the charge for the MERS registration is considered to be part of the charge for origination service and may not be separately itemized on the HUD-1.

10) **Q:** The Internal Revenue Service (IRS) requires that reportable points be clearly designated on the HUD-1 Settlement Statement for purposes of preparing IRS Form 1098. As Line 801 on the HUD-1 discloses the total of all loan originator fees as well as the origination point(s), how can the origination point(s) be designated?

A: A loan originator may designate any origination point paid on page 2 of the HUD-1 in Line 801. The designation should follow "Our Origination Charge" either by adding the language "Includes Origination Point" (_% or \$__) or by placing an asterisk (*) and adding the language at the bottom of the page.

800. Items Payable in Connection with Loan			
801. Our origination charge	(Includes Origination Point 1% or \$1,000)	\$ 2,500.00	(from GFE #1)

OR

800. Items Payable in Connection with Loan			
801. Our origination charge **		\$	(from GFE #1)

1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)	
** Includes Origination Point (1% or \$1,000)	

11) **Q:** If an appraisal is ordered through XYZ appraisal vendor management company and the appraisal is subcontracted to ABC Appraisal Company, what name is identified in Line 804 on the HUD-1?

A: XYZ appraisal management company must be identified on Line 804.

12) **Q:** May the lender itemize the charges paid through the credit listed in Line 803 on the HUD-1?

A: Yes. A lender may itemize the charges for third party settlement services on an additional page to the HUD-1. See 24 CFR § 3500.9(a)(9). The lender may also itemize those charges outside the columns on a blank line in the 800 series.

HUD-1 – 900 series

1) **Q:** Where is the charge for flood insurance shown on the HUD-1? What if the borrower pays it prior to settlement?

A: Flood insurance should be disclosed on Line 904 of the HUD-1 with the charge in the borrower's column. If the borrower pays the insurance prior to closing, the item should be shown on Line 904 of the HUD-1 noted as "Paid Outside of Closing" or P.O.C. with the charge to the left of the column.

2) **Q:** On some loans a borrower will make a full regular payment within less than a month and receive an interest credit at closing. May the interest credit, instead of the collection of interim interest, be listed in Line 901 on the HUD-1?

A: Yes, an interest credit may be listed (as a negative number) in Line 901 on the HUD-1.

HUD-1 – 1000 series

1) **Q:** Does Line 1001 reflect the total of all other lines in the 1000 series?

A: Yes, Line 1001 is the total of all escrow items contained in the 1000 series of the HUD-1.

2) **Q:** May additional lines be added to the 1000 series on the HUD-1?

A: Yes, additional lines may be added to the 1000 series if needed. If lines are added, Line 1007, Aggregate Adjustment, must be moved down (and renumbered accordingly) so that it remains the last line item in the series.

3) **Q:** If a geographical area has more than one type of property tax, such as County and City property taxes, should each property tax be separately listed on the HUD-1 or may they be grouped together in Line 1004 on the HUD-1?

A: The total amount of all property taxes held in an escrow or reserve account may be listed in Line 1004 on the HUD-1. Further itemization of the property taxes held in reserve is not required.

HUD-1 – 1100 series

1) **Q:** What are title services?

A: The term "title services" includes:

1. Any service involved in the provision of title insurance, including but not limited to:
 - title examination and evaluation
 - preparation and issuance of commitment
 - clearance of underwriting objections
 - preparation and issuance of policies
 - all processing and administrative services required to perform these functions (e.g. document delivery, preparation and copying, wiring, endorsements, and notary); and
2. The service of conducting a settlement.

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2) **Q:** Where should the settlement agent list the commitment fee, wire fee and other miscellaneous title fees on the HUD-1?

A: The commitment fee, wire fee, and other miscellaneous fees are included as processing and administrative fees that are part of the definition of “title services.” All of these types of fees must be included in the charges shown on Line 1101 of the HUD-1, and are not to be itemized separately.

3) **Q:** Are document preparation fees included in “title services” or would they appear as separate line item charge in the borrower’s column?

A: Document preparation fees are part of administrative or processing fees which are included in the charge in Line 1101 of the HUD-1 and may not be separately itemized.

4) **Q:** Are delivery fees included in “Title services” and therefore included in Line 1101 of the HUD-1?

A: Yes, delivery fees are included in the definition of “title services” and are included in the charge shown in Line 1101 of the HUD-1.

5) **Q:** Are notary fees included in “Title services” and therefore included in Line 1101 of the HUD-1?

A: Yes, notary fees are included in the definition of “title services” and are included in the charge shown in Line 1101 of the HUD-1.

6) **Q:** What is the Lender’s title policy limit on Line 1105 of the HUD-1?

A: The Lender’s title policy limit, Line 1105 of the HUD-1, is the maximum dollar amount of coverage available under the policy.

7) **Q:** Where should the quote for the Lender’s title insurance policy premium be disclosed on the HUD-1?

A: The Lender’s title insurance premium is part of the charge shown on Line 1101, “Title services and lender’s title insurance” on the HUD-1, along with any fees for title searches, examinations, endorsements and all charges associated with the title services and settlement (closing) agent services.

8) **Q:** Do the disclosures of the title agent’s and the title underwriter’s portions of the title insurance premium on Lines 1107 and 1108 of the HUD-1 Settlement Statement also contain the charges for the title policy endorsements?

A: Yes, disclosure of the agent’s and the underwriter’s portions of the title insurance premium on Lines 1107 and 1108 of the HUD-1 Settlement Statement also contains any charges for title policy endorsements that are retained by the title agent or title underwriter.

9) **Q:** If a title insurance underwriter is also the title agent, what should be shown on Lines 1107 and 1108 of the HUD-1?

A: If there is no premium split between the title underwriter and a separate title agent, all of the title insurance premium (including charges for endorsements) would be shown on Line 1108, and \$0 would be shown on Line 1107.

10) **Q:** Where should the Lender's title insurance premium be disclosed on the HUD-1?

A: The amount of the premium for Lender's title insurance and related endorsements must be included in the total for title services and lender's title insurance on Line 1101 of the HUD-1. The charge for the Lender's title insurance policy and its related endorsements must also be itemized on Line 1104 with the charge to the left of the columns.

11) **Q:** If a borrower selects an attorney to represent the borrower's personal interests at settlement, where is this attorney's fee disclosed on the HUD-1?

A: If a borrower selects an attorney to represent the borrower's personal interests at settlement, and the service provided by that attorney is separate from the functions necessary to conduct the closing, provide title services or issue the lender's title insurance policy, this attorney's charge may be separately listed on a blank line in the 1100 series in the borrower's column along with the name of the attorney and the type of service provided. Accordingly, the amount of this attorney's fee should not be included in the charge listed on Line 1101.

12) **Q:** How is the premium recorded on the HUD-1 if the borrower purchases an enhanced owner's title insurance policy, rather than a basic policy?

A: Regardless of whether the borrower chooses to purchase a basic or an enhanced owner's title insurance policy, the premium must be listed in the borrower's column on Line 1103.

13) **Q:** If the title agent conducts the settlement, should the charge for conducting the settlement be included in Line 1101 of the HUD-1, with the itemized charge listed outside the column on Line 1102?

A: Yes, the charge for conducting the settlement must be included in the total on Line 1101. If the charge is paid to a third party, the charge must be itemized outside of the columns on Line 1102.

14) **Q:** Where do I put the charge for the title commitment on the HUD-1?

A: The term "title services" is defined to include any service involved in the preparation and issuance of the title commitment. See 24 CFR § 3500.2. On the HUD-1, the charge to the borrower for title services, including the charge for services related to the title commitment, must be included in the total in the borrower's column on Line 1101. If a third party prepares and issues the title commitment, the disbursement for this service also must be itemized outside the columns on a blank line in the 1100-series.

15) **Q:** What items are included in the amount disclosed on Line 1101 of the HUD-1?

A: Line 1101 is the total of the charges for "Title services and lender's title insurance," which includes: all charges for conducting a settlement (Line 1102); any premiums paid for

lender's title insurance and its related endorsements (Line 1104); all charges for title searches and examinations; and charges for all other services itemized in the 1100 series if those services are included in the definition of "title service." The total on Line 1101 should *not* include the amount of any premium for owner's title insurance and its related endorsements, which must be listed in the columns on Line 1103.

16) **Q:** How is the charge for conducting the settlement disclosed on the HUD-1?

A: The charge to the borrower for conducting the settlement must be included in the total stated in the borrower's column on Line 1101 of the HUD-1. In addition, the total in the borrower's column on Line 1101 must include any amount for conducting the settlement that was paid by another person on behalf of the borrower. In such a case, an offsetting credit must be shown on page 1 of the HUD-1. If the seller paid the amount, a credit to the borrower in that amount must be listed in Lines 204-209, and a charge to the seller must be listed in Lines 506-509. If another person pays the amount an offsetting credit is reported in Lines 204-209, identifying the person paying the charge.

Any separate charge to a seller for conducting the settlement is listed in the seller's column in Line 1102. The borrower's charge for conducting the settlement should be itemized outside the borrower's column in Line 1102.

17) **Q:** If state law requires further itemization of title service or title insurance related fees such as a commitment fee or fees for endorsements to a title insurance policy, how should these fees be listed on the HUD-1?

A: If state law requires further itemization of title service or title insurance related fees than required under RESPA, those fees may be itemized on blank lines in the 1100 series on the HUD-1 with the charge listed outside the borrower's column. Endorsements to a title insurance policy may also be listed in Lines 1103 and 1104 as applicable, with the charge listed outside the borrower's column.

18) **Q:** Under the Truth In Lending Act, a settlement or closing fee is generally included in the finance charge, but if a settlement agent charges for a service that the lender does not require and as to which the lender retains no portion of the fee, the fee is not a finance charge. Should fees charged by a settlement agent for services that are not required by the lender or requested by the borrower be listed on Line 1101 and/or Line 1102 on the HUD-1, or separately itemized on a blank line?

A: "Title service" is defined to include "the service of conducting a settlement." If a settlement agent requires an additional service involved in the provision of title insurance, the charge for that service would be included with the total charge on Line 1101 on the HUD-1. If a fee for the additional service is not a processing or administrative service paid to a third party, it must be itemized outside the columns on a blank line in the 1100-series.

HUD cannot interpret regulations promulgated by another federal agency, such as Regulation Z (12 CFR part 226). Please refer to the Board of Governors of the Federal Reserve System for interpretations of Regulation Z.

19) **Q:** Is the amount listed in Line 1108 on the HUD-1 the amount the title underwriter receives as determined by state law?

A: The amount listed in Line 1108 on the HUD-1 discloses the title underwriter's portion of the total title insurance premium, Owner's and Lender's title insurance premium and their related endorsements. The manner in which this amount is determined has no bearing on the requirement of disclosure.

20) **Q:** Is the amount listed in Line 1107 on the HUD-1 the amount the title agent receives as determined by state law?

A: The amount listed in Line 1107 on the HUD-1 discloses the title agent's portion of the total title insurance premium, Owner's and Lender's title insurance premium and their related endorsements. The manner in which this amount is determined has no bearing on the requirement of disclosure.

21) **Q:** If the borrower is purchasing a Lender's and an Owner's title insurance policy in the same transaction and is receiving a simultaneous issue discount on the policies, is the discounted amount for the Lender's title insurance policy or the undiscounted rate for the Lender's title insurance policy listed in Line 1104 on the HUD-1?

A: The amount of the charge for the Lender's title insurance policy will vary according to state law and what is customary in a particular area. As the HUD-1 is used as a statement of actual charges, in Line 1104, the settlement agent must record the actual charge the borrower will pay for the lender's title insurance premium and related endorsements.

22) **Q:** If a title agent is sharing a portion of the title insurance premium with an attorney, is the name of the attorney listed in Line 1107 on the HUD-1?

A: On Line 1107 the settlement agent must "record the amount of the total title insurance premium, including endorsements, *that is retained by the title agent.*" If a portion of the title insurance premium will not be retained by the title agent, but will instead be paid to an attorney, then a blank line in the 1100-series should be used to itemize, outside the columns, the amount paid to the attorney, and to identify the attorney's name and type of service provided.

23) **Q:** If the settlement agent hires or pays a third party to facilitate electronic filing, where would that charge be shown on the HUD-1?

A: If the settlement agent uses a third party to facilitate electronic filing and the third party is not a governmental entity, the service to facilitate electronic filing is considered an administrative or processing fee included in the charge for "title services" in Line 1101 on the HUD-1.

HUD-1 – 1200 series

1) **Q:** If there are additional government recording fees, such as to record a power of attorney or road maintenance agreement, are they included in Line 1201 of the HUD-1 or can they be charged separately?

A: Line 1201 is used to record the total government recording charges. Additional items the lender requires to be recorded, other than those already enumerated in Line 1202, must be itemized on Line 1206. The charges for these additional items must be stated outside the column.

2) **Q:** What items are included in the amount listed on Line 1201 of the HUD-1?

A: Line 1201 is the total of the government recording charges. Examples of such charges include but are not limited to state and local fees for recording the deed, mortgage, deed of trust, releases, and any other instrument or document recorded to preserve marketable title or to perfect the lender's security interest in the property.

3) **Q:** What items are included in the amount listed on Line 1203 of the HUD-1?

A: Line 1203, "Transfer taxes," is the total of state and local government fees imposed for mortgages and home sales.

4) **Q:** How can the transfer tax be properly disclosed on the HUD-1 in markets where settlement agents are allowed to purchase transfer tax stamps from the city/county/state in bulk for use in their various transactions and the settlement agent does not cut a check to the city/county/state out of each escrow or disbursement file?

A: Amounts for transfer taxes that are attributable to the transaction are listed in Lines 1203, 1204 and 1205 on the HUD-1. The name of the party that receives the payment for transfer taxes is not required to be identified in Lines 1203, 1204 and 1205 on the HUD-1.

5) **Q:** If it is typical that a seller, in a particular geographical area, pays a charge to record the deed, on what line should the charge be listed on the HUD-1?

A: In a particular geographical area, if it is typical that the seller pays a charge to record the deed, the charge to the seller must be listed in the seller's column on Line 1202 of the HUD-1. The charge to record the deed is also itemized to the left of the columns on Line 1202.

The example below illustrates how the lines in this question should be completed.

1200. Government Recording and Transfer Charges			
1201. Government recording charges		(from GFE #7)	
1202. Deed \$ 40.00	Mortgage \$	Release \$	\$40.00

6) **Q:** If it is required by state or local law for a seller to pay a portion of the total charge for transfer taxes, on what line should the seller's charge be listed on the HUD-1?

A: If it is required by state law for a seller to pay a portion of the total charge for transfer taxes and therefore not on the GFE, the seller's charge should be listed as a charge in the seller's column in Lines 1204 and 1205 on the HUD-1, and the total charges for transfer taxes should be itemized to the left of those columns, as indicated in the following example:

1200. Government Recording and Transfer Charges				
1201. Government recording charges				(from GFE #7)
1202. Deed \$	Mortgage \$	Release \$		
1203. Transfer taxes				(from GFE #8)
1204. City/County tax/stamps	Deed \$ 500.00	Mortgage \$ 500.00		\$1,000.00
1205. State tax/stamps	Deed \$ 500.00	Mortgage \$ 500.00		\$500.00
1206.				

HUD-1 – 1300 series

1) **Q:** What charges are shown in the 1300 series of the HUD-1 Settlement Statement?

A: The 1300 series of the HUD-1 Settlement Statement is used to record the charges for settlement services that are disclosed in Block 6 of the GFE as well as charges that are not disclosed on the GFE. Examples of some of these services may include charges for home inspections, radon inspections, and homeowner's warranty.

2) **Q:** What charges are shown on Line 1301 of the HUD-1?

A: Line 1301 is the total of all charges for third party settlement services that the loan originator required but for which the borrower was permitted to select the service provider. The charge on Line 1301 is shown in the borrower's column. All charges included in the total amount on Line 1301 must be separately itemized outside of the columns in Lines 1302 and subsequent lines, identifying the type of service, the name of the provider, and the amount of the charge.

3) **Q:** If the loan originator does not allow the borrower to shop for any required services, can the settlement agent begin the itemized list of additional miscellaneous settlement charges in the 1300 series on Line 1302?

A: Yes, if Line 1302 and additional sequentially numbered lines will not be needed to record required services that the borrower can shop for; the settlement agent may list the itemized miscellaneous settlement services on Line 1302.

4) **Q:** If a loan originator permits a borrower to shop for services typically listed in Block 3 on the GFE, such as tax service or flood certificate, where should the services be listed on the HUD-1?

A: If a loan originator permits a borrower to shop for services typically listed in Block 3 on the GFE, such as tax service or flood certificate, the services would instead be listed in Block 6 of the GFE. The total amount charged for these services is listed in the borrower's column in Line 1301, and the charges are itemized outside the columns in Line 1302 and following lines on the HUD-1.

5) **Q:** Where should the charge for the Homeowners Association (HOA) transfer fee be disclosed on the GFE and HUD-1?

A: The charge for the HOA transfer fee, unless it is a service required by the loan originator, need not be disclosed on the GFE. The charge for the HOA transfer fee may be shown on a blank line in the 1300 series on the HUD-1.

HUD-1 – Page 3

1) **Q:** How do settlement agents get the information to prepare page 3 of the HUD-1? Do they have to search through all of the loan documents to get this information?

A: The lender is required to transmit the information necessary to complete the HUD-1. The instructions for completing the HUD-1 state that the lender must provide information to the settlement agent in a format that permits the settlement agent to simply enter the necessary information to complete the loan terms section on page 3 of the HUD-1 without having to refer to the loan documents.

2) **Q:** Is it a violation of the tolerance if some of the items in the 10% category in the Comparison Chart exceed 10%, but other items in the category do not exceed 10%?

A: The tolerance applies to the total of all charges shown in the category “Charges That in Total Cannot Increase More Than 10%.” A tolerance violation of this category means that the total of all actual charges in this category exceed the total of all estimated charges in this category by more than 10%.

3) **Q:** How are items that were “paid outside of closing” (P.O.C.) shown in the Comparison Chart on page 3 of the HUD-1?

A: The HUD-1 column in the Comparison Chart must include any amounts shown on page 2 of the HUD-1 in the column as paid by the borrower, plus any amounts that are shown as P.O.C. by or on behalf of the borrower.

For example, if the borrower pays \$300 towards required appraisal services, but the total charge for the appraisal is \$500, then Line 804 on page 2 of the HUD-1 will show a P.O.C. amount of \$300 outside the column and a charge of \$200 in the borrower’s column.

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: Appraisal Company	P.O.C. \$300 (borrower)	(from GFE #3)	\$200.00
805. Credit report to		(from GFE #3)	
806. Tax service to		(from GFE #3)	
807. Flood certification		(from GFE #3)	
808.			

The total amount of \$500 would be shown in the “HUD-1” column (\$300 P.O.C. + \$200 at settlement) on a separate line in the comparison chart for charges that cannot increase more than 10 percent on page 3 of the HUD-1.

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
Appraisal fee	# 804	\$500.00	\$500.00
	#		
	#		

4) **Q:** Can cross-references to the applicable Blocks on the GFE be included for each charge itemized in the Comparison Chart on the third page of the HUD-1?

A: Cross-references to the GFE Block numbers should not be added to page 3 of the HUD-1. The appropriate HUD-1 line number is entered to the left of the columns, and this information will allow the borrower to trace the charge to page 2 of the HUD-1 and then to the GFE. The itemization of each charge in the Comparison Chart must also include a description of the service, such as “appraisal fee” or “credit report.”

5) **Q:** May the yes/no check boxes be removed from the Loan Terms section on page 3 of the HUD-1?

A: No. The Loan Terms section is part of the HUD-1 form and may not be altered except for formatting, such as margins or shading, adding additional lines and other options. Please refer to 24 CFR § 3500.9 of HUD's regulations (in title 24 of the Code of Federal Regulations) for rules applicable to reproduction of the HUD-1.

6) **Q:** Is the settlement agent required to compare the “Loan Terms” section of the HUD-1 with the “Summary of your loan” section of the GFE?

A: Settlement agents are not required to compare the information contained in the GFE with the information transmitted by the lender to the settlement agent for the purpose of completing the Loan Terms section of the HUD-1. If the settlement agent becomes aware of inconsistencies between the information contained in the HUD-1 and the GFE, in the interest of all parties the discrepancy should be communicated to the lender.

7) **Q:** Does page 3 of the HUD-1 have to be given to the seller since it only contains borrower information?

A: No, Section 4 of RESPA does not require that parts of the HUD-1 that relate only to the borrower's transaction be furnished to the seller. It is permissible to have two separate HUD-1s in a transaction; one with the buyer's credits and charges only, and one with the seller's credits and charges only. Page 3 of the HUD-1 pertains only to charges to the borrower and loan information and is not required to be given to the seller.

8) **Q:** When completing the Comparison Chart on page 3 of the HUD-1, are all GFE Block 3 items (“Required services that we select”) combined into one charge on one line, or should each of the items contained in GFE Block 3 be itemized separately?

A: Each item included in Block 3 on the borrower's GFE must be separately itemized in the “Charges That in Total Cannot Increase More Than 10%” section of the Comparison Chart on page 3 of the HUD-1.

9) **Q:** Why doesn't the “Loan Terms” section on page 3 of the HUD-1 duplicate the “Summary of your loan” section on the GFE?

A: The “Summary of your loan” section of the GFE is usually written before a settlement date is chosen and before the amount of any escrow payment that the borrower will have to pay is known. The “Loan Terms” section of the HUD-1 includes certain information that may not have been known or may not have been available at the time that the GFE was prepared, but is known and included on the HUD-1.

10) **Q:** In the “Loan Terms” section on page 3 of the HUD-1, how should the information be completed for the item “Can your interest rate rise?”

A: If the interest rate cannot rise, the “No” box should be checked and no further information is required.

If the interest rate can rise, the “Yes” box must be checked and the applicable information must be entered in the blank spaces for: the maximum interest rate; the date of the first possible change in the interest rate; the frequency of subsequent changes; the date after which subsequent interest rate changes could occur; the amount, stated as a percentage, that the interest rate could increase or decrease at every change date; the lowest possible interest rate over the life of the loan; and the maximum possible interest rate over the life of the loan.

The example below illustrates how the fields in this question should be completed.

Can your interest rate rise?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, it can rise to a maximum of 11 %. The first change will be on 5/29/10 and can change again every year after 5/29/10 . Every change date, your interest rate can increase or decrease by 1 %. Over the life of the loan, your interest rate is guaranteed to never be lower than 2.5 % or higher than 11 %.
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11) **Q:** How should the loan originator complete the answer to the question, “Every change date your interest can increase or decrease by ____%”, on the HUD-1, if the loan does not contain a cap of periodic interest changes other than by setting the overall floor and ceiling?

A: If the loan offered does not contain a cap of periodic interest change other than by setting the overall floor and ceiling, the loan originator should complete the answer to the question, “Every change date your interest can increase or decrease by ____%” with the difference between the floor and the ceiling.

12) **Q:** How should the loan originator complete the answer on the HUD-1 to the question, “Every change date your interest can increase or decrease by ____%”, if there is a cap on periodic increases, but not on periodic decreases?

A: If the loan offered does not contain a cap on decrease of periodic interest, the loan originator should complete the answer to the question, “Every change date your interest can increase or decrease by ____%” with the difference between the floor and the ceiling.

13) **Q:** May a lender transmit the information necessary to prepare page 3 of the HUD-1 to the settlement agent in a streamlined document that looks similar to page 3 of the HUD-1, such as a pro-forma?

A: Yes, the lender may transmit the information necessary to prepare page 3 of the HUD-1 to the settlement agent in a streamlined document that looks similar to page 3 of the HUD-1, such as a pro-forma, but the settlement agent must prepare the HUD-1 including page 3.

14) **Q:** How is it determined what settlement charges belong in the HUD-1 column in one of the three categories in the Comparison Chart on page 3 of the HUD-1?

A: Charges for settlement services that are disclosed on the GFE or would have been appropriate to disclose on the GFE, whether the charges are paid by the borrower, paid on behalf of the borrower or paid outside of closing, must be listed in one of the three tolerance categories of the Comparison Chart on page 3 of the HUD-1.

15) **Q:** If an adjustable rate mortgage (ARM) has a different periodic interest rate adjustment limit applicable to the first rate adjustment than the limit used for subsequent rate adjustments, how should the subsequent rate adjustment limits be disclosed in the Loan Terms section on page 3 of the HUD-1?

A: To disclose limits on periodic interest rate adjustments, where different limits apply at different times in the life of the loan (such as for an ARM with a special adjustment limit applicable to the first adjustment), the settlement agent may either insert the maximum interest rate or the range of the change limits, such as 2-5%.

Settlement cost booklet

1) **Q:** When will the Settlement Cost Booklet be revised?

A: The revised settlement cost booklet, entitled “Shopping for Your Loan, HUD’s Settlement Cost Booklet” has been posted on our website at www.hud.gov/respa.