

## Correspondent Lending

# Good Faith Estimate (GFE) and HUD Settlement Statement (HUD-1)

## Overview of Key Changes

The following guide provides an overview of the changes to the Good Faith Estimate (GFE) and HUD Settlement Statement (HUD-1) forms. For detailed instructions on how to complete the new forms, please refer to the reference guides “Good Faith Estimate (GFE)—Detailed Instructions” and “HUD Settlement Statement (HUD-1)—Detailed Instructions”.

# Good Faith Estimate

The new Good Faith Estimate (GFE) will standardize how fees are disclosed for all loan originators (Lenders and Brokers) effective January 1, 2010. This enhancement will help ensure that consumers are better positioned to understand their mortgage transaction. Loan Originators are responsible for providing the initial GFE to the borrower within three business days of receipt of an application as required by RESPA guidelines.

**Note:** Loan Originator is defined as the lender and broker

An overview of the changes to the GFE as well as detailed information pertaining to “changed circumstances” and other instances where re-disclosure of the GFE is permitted or required are outlined below.

**Page 1 is new to the GFE and includes the following:**



### Important dates

Provides key dates associated with the interest rate and rate lock period for the loan.

### Summary of your loan

Provides key loan term information such as loan amount, loan term, interest rate and initial monthly payment in addition to information on:

- Whether or not the interest rate can increase.
- Whether or not the loan balance can increase.
- Whether or not the monthly payment can increase.
- Whether or not the loan has a prepayment penalty or balloon payment.

### Escrow account information

Indicates whether or not an escrow account will be required on the loan and what the estimated monthly escrow payment will be.

### Summary of your settlement charges

Summarizes the two key sections described on page 2 of the new GFE to provide the total estimated settlement charges for the borrower as follows:

- **Section A: Your adjusted origination charges**—This section combines all of the charges listed in Blocks 1–2 on page 2.
- **Section B: Your charges for all other settlement services**—This section combines all of the charges listed in Blocks 3–11 on page 2.
- **Section A + B: Total estimated settlement charges**—This section lists the total estimated settlement charges associated with this specific loan transaction.

Lenders will be bound to fees disclosed on the initial GFE (Total Estimated Settlement Charges or “A+B”), except in certain situations where there are “changed circumstances” associated with a loan.

### Changed circumstances:

- If a changed circumstance occurs, only those fees affected by the changed circumstance may change.
- If the estimates within the GFE are inaccurate but no change circumstance occurs, *the lender is bound to the amounts shown on the last disclosed GFE.*
- If a changed circumstance occurs, the lender must re-disclose within three business days after the loan originator receives the information regarding the changed circumstance or the ability to re-disclose (and increase a fee) is lost.
- Lenders and brokers must retain documentation relating to the changed circumstance and fee change, if re-disclosed, for three years.

### The definition of “changed circumstances” includes the following:

- Acts of God, war or disaster.
- Changes or inaccuracies in information relating to the borrower or the transaction that was relied upon in providing the GFE.
- Changes to the loan amount or estimated value of the property.
- New information regarding the borrower or transaction not relied upon when the initial disclosure was provided.

A revised GFE must be issued upon a lock event (locking the rate or expiration of the lock) and may be issued in the event the borrower requests a change in the mortgage loan that was identified in the GFE and that changes the settlement charges or terms of the loan.

## Understanding your estimated settlement charges

Sections 1 and 2 provide the borrower's adjusted origination changes as follows:

### Your adjusted origination charges

- **Block 1** now lists all lender fees (and broker fees) as a single “origination charge” including broker compensation.
- **Block 2** provides either a credit or a charge associated with the interest rate selected by the borrower.
  - **2i** illustrates the par rate—there is no credit or charge for the interest rate of the loan; the charge is included in the “origination”
  - **2ii** illustrates premium or rebate pricing—higher rate/lower settlement charges (broker compensation will be displayed as a negative number)
  - **2iii** illustrates a buy-down—paying discount points to get a lower rate
- **Section A: Your adjusted origination charges**—This section combines all of the charges listed in Blocks 1 and 2.

### Your charges for all other settlement services

- **Block 3: Required services that we select**—These charges are for services that the lender requires to complete the settlement of the loan and for which the borrower may not shop. The lender chooses the providers for these services. (This may include appraisal, credit report, flood certification, tax service.)
 

**Note:** Fees paid outside of closing (POC) will no longer be designated on the GFE. All fees, regardless of who will pay for the fee, are disclosed on the GFE as if they were to be paid by the borrower.

- **Block 4: Title service and lender's title insurance**—These charges include the services of a title or settlement agent, for example, and the title insurance to protect the lender, if required.
- **Block 5: Owner's title insurance**—This charge includes the owner's title insurance policy to protect the borrower/owner's interest in the property.
- **Block 6: Required services that you can shop for**—These charges are for other services that are required to complete the settlement of the loan, but for which the borrower can shop for and select the providers. The lender is required to identify the specific required service and provide an estimate for the charge for each service. The lender must also provide the borrower with a written list of settlement services at the same time the GFE is provided on the Settlement Service Provider list.
- **Block 7: Government recording charges**—These charges are for state and local government fees to record the loan and the title documents for the borrower.

- **Box 8: Transfer taxes**—These charges are for state and local government fees on mortgage and home sales based on the proposed loan amount or sales price of the property.
- **Box 9: Initial deposit for your escrow account**—This is an estimate of the amount that the borrower will be required to place into a reserve or escrow account at settlement to pay future recurring charges on the property and may include a) property taxes, b) homeowner's and other similar insurance, c) mortgage insurance and d) other periodic charges. Check boxes indicate which charges are included in the escrow account.
- **Box 10: Daily interest charges**—This charge is for the daily interest on the loan from the day of the settlement until the first day of the next month or the first day of the borrower's normal mortgage payment cycle. The amount is displayed as a charge per day for the number of days based on the settlement date as shown in the box.
- **Box 11: Homeowner's insurance**—This charge is for the insurance that the borrower must buy for the property to protect from a loss, such as fire or flood.
- **Section B: Your charges for all other settlement services**—This section combines all of the charges listed in Blocks 3–11.
- **Section A + B: Total estimated settlement charges**—This section lists the total estimated settlement charges associated with this specific loan transaction.

**All settlement charges have been categorized into 11 blocks.**



# HUD-1

The new HUD-1 enables borrowers to compare their accepted settlement charges as stated on the GFE with the final settlement charges at closing. An overview of changes to the HUD-1 form follows below.

page 1

## Sections A-I: Type of Loan; Parties to Settlement; Property Location

These sections provide information regarding the “loan type,” along with borrower and property details. They also include lender and settlement agent contact information.

**Page 1**  
has no changes from the current form.

**Page 2**  
now aligns to the GFE and references the specific line items found on page 2 of the GFE form.

## Section J

Provides a summary of the borrower’s transaction—including the net cash amount due/paid to the borrower.

## Section K

Provides a summary of the seller’s transaction—including the net cash amount due/paid to the seller (on purchase transactions).

page 2

## Section L

Provides the Settlement Charges for the transaction.

- **Lines 800-808: Items payable in connection with loan**—maps to Blocks 1-3 on the GFE.
  - Blocks 1 and 2: Adjusted Origination Charges for the loan
  - Block 3: Settlement services that the lender requires and selects for the borrower

- **Lines 900-904: Items required by lender to be paid in advance**—maps to Blocks 3, 10 and 11 on the GFE.
  - Block 3: Mortgage insurance premium amount (if required)
  - Block 10: Daily Interest Charges
  - Block 11: Homeowner’s Insurance
- **Lines 1000-1007: Reserves deposited with lender**—maps to Block 9 of the GFE (Initial deposit for escrow account) and includes an itemized view of the components that are included in the escrow account such as homeowner’s insurance, mortgage insurance and Property taxes.
- **Lines 1100-1108: Title charges**—provides the details of the various title policies associated with the loan and maps to Blocks 4 and 5 on the GFE.
  - Block 4: Title services and lender’s title insurance
  - Block 5: Owners title insurance
- **Lines 1200-1206: Government recording and transfer charges**—maps to Blocks 7 and 8 on the GFE.
  - Block 7: Government recording charges
  - Block 8: Transfer taxes
- **Lines 1300-1305: Additional settlement charges**—maps to Block 6 of the GFE.
  - Block 6: Required services that the borrower can shop for such as pest inspections

