



Mastering the 2010 GFE and HUD-1
A webinar for real estate attorneys, paralegals and business professionals



CHICAGO COMMERCIAL CENTER
CHICAGO TITLE INSURANCE COMPANY
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Welcome Notes

- Copy of these presentation slides available at:
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- Questions will be answered at the conclusion
- Brief survey provided when you log-out
 - Attorneys seeking CLE credit must complete the survey



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Presentation Outline

- When did the new rules take effect?
- The Good Faith Estimate
- The HUD-1 Changes
- Review of a completed HUD-1



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When did the new RESPA take effect?

- Although the new rule took effect on January 16, 2009, required use of the new HUD-1 began January 1, 2010.
- The 2010 HUD-1 must be used on all residential loans applied for after January 1, 2010.
- The new HUD-1 was designed to work in conjunction with the revised Good Faith Estimate.



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The Good Faith Estimate

To fully understand the new Settlement Statement (HUD-1), we must first take a look at the GFE.

What is the GFE?

The Good Faith Estimate (GFE) is an estimate of all settlement charges and loans terms provided to a borrower when they are approved for a loan.

Good Faith Estimate (GFE)
Form No. 2010-001

Borrower/Co-borrower: Name, Address, City/State/Zip, Telephone, Email, Date of Birth, Social Security Number, Loan Officer Name, Title.

Purpose: The GFE gives you an estimate of your settlement charges and loan terms. It is approved for use by the U.S. Department of Housing and Urban Development (HUD) to help you understand the costs of your loan and to compare offers from different lenders.

Shopping for your loan: Only you can shop for the best loan for you. Compare the GFE with offers from other lenders to see how they compare. Use the shopping sheet on page 3 to compare all the offers you receive.

Important dates:

- 1. The settlement date for this loan is approximately [] days after the date of this GFE. This date may change if you need to pay for any of the items on this GFE.
- 2. This estimate has all other settlement charges included through [] days after the date of this GFE.
- 3. After you lock your interest rate, you must get in settlement within [] days after the date of this GFE.
- 4. You must close the loan on or before [] days after the settlement date.

Summary of your loan:

- 1. How many years will you have to pay for this loan? []
- 2. How many months will you have to pay for this loan? []
- 3. How many days will you have to pay for this loan? []
- 4. How many days will you have to pay for this loan? []
- 5. How many days will you have to pay for this loan? []
- 6. How many days will you have to pay for this loan? []
- 7. How many days will you have to pay for this loan? []
- 8. How many days will you have to pay for this loan? []
- 9. How many days will you have to pay for this loan? []
- 10. How many days will you have to pay for this loan? []

Source of funds:

- 1. How many days will you have to pay for this loan? []
- 2. How many days will you have to pay for this loan? []
- 3. How many days will you have to pay for this loan? []
- 4. How many days will you have to pay for this loan? []
- 5. How many days will you have to pay for this loan? []
- 6. How many days will you have to pay for this loan? []
- 7. How many days will you have to pay for this loan? []
- 8. How many days will you have to pay for this loan? []
- 9. How many days will you have to pay for this loan? []
- 10. How many days will you have to pay for this loan? []

Summary of your settlement charges:

- A Total Adjusted Origination Charges (see page 2) []
- B Total Prepaid Items (see page 2) []
- C Total Settlement Charges (see page 2) []
- D Total Estimated Settlement Charges (see page 2) []



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GFE Facts

- **Who issues the GFE to the borrower?**

The loan originator must issue the GFE which can include either the lender or mortgage broker.

- **When must a loan originator issue a GFE?**

No later than 3 business days after receiving an application or sufficient information to complete an application.




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Breaking Down the GFE

OMB Approval No. 2532-0265



Good Faith Estimate (GFE)

Name of Originator	Borrower
Originator Address	Property Address
Originator Phone Number	Date of GFE
Originator Email	

Purpose
This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's Special Information Booklet or settlement charges, your Truth-in-Lending Disclosures, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan
Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. 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.
2. This estimate for all other settlement charges is available through .
3. After you lock your interest rate, you must go to settlement within days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least days before settlement.



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Breaking Down the GFE

This section of the GFE is now built into the 2010 HUD-1.

Summary of your loan	Your initial loan amount is	\$		
	Your loan term is		years	
	Your initial interest rate is		%	
	Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$	per month	
	Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of %.		
	Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$		
	Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$		The maximum it can rise to is \$
	Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$		
	Does your loan have a balloon payment?	<input type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$		due in years
	Escrow account information	Some lenders require an escrow account to hold funds for paying property taxes or other priority-related charges in addition to your monthly amount owed of \$.		
	Do we require you to have an escrow account for your loan? <input type="checkbox"/> No, you do not have an escrow account. You must pay these charges directly when due. <input type="checkbox"/> Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.			
Summary of your settlement charges	A Your Adjusted Origination Charges (See page 2)	\$		
	B Your Charges for All Other Settlement Services (See page 2)	\$		
	A + B Total Estimated Settlement Charges	\$		

Good Faith Estimate (HUD-GFE) 1



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Breaking Down the GFE

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

The origination charge includes all lender-related fees for the borrower in obtaining the loan.



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Breaking Down the GFE

An estimated cost of title services is given and an Owner's Policy is disclosed even though in our geographic area that is a cost traditionally paid by the seller.

Your Charges for All Other Settlement Services	
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. Service _____ Charge _____	
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. Service _____ Charge _____	
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes: <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other _____	
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ _____ per day for _____ days (if your settlement is _____)	
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. Policy _____ Charge _____	
B Your Charges for All Other Settlement Services \$ _____	
A + B Total Estimated Settlement Charges \$ _____	



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GFE Tolerances

Charges may decrease without causing issues with the Good Faith Estimate. If fees increase beyond the allowed levels described, a *Tolerance Violation* is created.

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

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



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The HUD-1

- Commonly referred to as “the settlement statement”, “RESPA” or simply “HUD”.
- Although the overall look of the HUD-1 has remained the same, changes have occurred in the method in which fees are disclosed.

A Settlement Statement (HUD-1)

1. Type of Loan

2. Name & Address of Borrower

3. Property Location

4. Summary of Lender's Transactions

5. Summary of Seller's Transactions

6. Total Paid to Other Parties

7. Total Reduction Amount Due to Seller



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Lender Fees

- Lender fees are now rolled-up into a single origination charge which includes administrative and processing service fees.
- Flood search, credit report, tax service and appraisal fee's still appear on a separate line on the HUD-1.

800. Items Payable in Connection with Loan				
Lender	801. Our origination charge	\$	(from GFE #1)	
	802. Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)	
	803. Your adjusted origination charges		(from GFE A)	
	804. Appraisal fee to		(from GFE #3)	
	805. Credit report to		(from GFE #3)	
	806. Tax service to		(from GFE #3)	
	807. Flood certification		(from GFE #3)	
Vendor	808.			



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Mortgage Broker Fees on the HUD-1

800. Items Payable in Connection with Loan			
801. Our origination charge	\$	(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen	\$	(from GFE #2)	
803. Your adjusted origination charges		(from GFE A)	
804. Appraisal fee to		(from GFE #3)	
805. Credit report to		(from GFE #3)	
806. Tax service to		(from GFE #3)	
807. Flood certification		(from GFE #3)	
808.			

- Mortgage broker charges are now listed as part of the lender's origination charge on line 801.
- Broker premium's are no longer listed as a POC item paid by the lender, it will be listed as a charge to the borrower and offset with a credit from the lender.



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HUD-1 Changes

The HUD-1 now references which section of the GFE that each corresponding fee is disclosed to the borrower under.

900. Items Required by Lender to Be Paid in Advance			
901. Daily interest charges from	to	@ \$ /day	(from GFE #10) *
902. Mortgage insurance premium	for	months to	(from GFE #3) *
903. Homeowner's insurance	for	years to	(from GFE #11) *
904.			

The total escrow funds deposited with lender at settlement appears on line 1001.

1000. Reserves Deposited with Lender			
1001. Initial deposit for your escrow account			(from GFE #9)
1002. Homeowner's insurance	months @ \$	per month \$	
1003. Mortgage insurance	months @ \$	per month \$	
1004. Property taxes	months @ \$	per month \$	
1005.	months @ \$	per month \$	
1006.	months @ \$	per month \$	
1007. Aggregate Adjustment		-\$	



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Title Fees on the HUD-1?

1100. Title Charges			
1101. Title services and lender's title insurance		(from GFE #4)	
1102. Settlement or closing fee	\$		
1103. Owner's title insurance		(from GFE #5)	
1104. Lender's title insurance	\$		
1105. Lender's title policy limit	\$		
1106. Owner's title policy limit	\$		
1107. Agent's portion of the total title insurance premium	\$		
1108. Underwriter's portion of the total title insurance premium	\$		

Unlike the previous versions of the HUD-1 which itemized and detailed every title charge on a separate line with a full explanation. The new version rolls all fees into a single line item (just as it does for lender fees). Also, the cost of the Owner's Policy is now listed on the buyer/borrower side of the HUD-1.



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HUD-1 Changes

1200. Government Recording and Transfer Charges			
1201. Government recording charges		(from GFE #7)	
1202. Deed \$	Mortgage \$	Releases \$	
1203. Transfer taxes		(from GFE #8)	
1204. City/County tax/stamps	Deed \$	Mortgage \$	
1205. State tax/stamps	Deed \$	Mortgage \$	
1206.			
1300. Additional Settlement Charges			
1301. Required services that you can shop for		(from GFE #6)	
1302.		\$	
1303.		\$	
1304.			
1305.			

For the exception of referencing the corresponding section of the GFE, the 1200 and 1300 sections of the HUD-1 have remained unchanged.



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Handling Buyer/Seller Credits

- All credits must now appear on the 1st page of the HUD-1.
 - Buyer fees from lender or title company cannot be “pushed” to the seller side of the HUD.

200. Amounts Paid by or in Behalf of Borrower		500. Reductions in Amount Due to Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. LENDER CLOSING COST CREDIT	\$425.00	504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206. SELLER CREDIT TOWARDS OWNERS POLICY	\$1250.00	506. SELLER CREDIT TOWARDS OWNERS POLICY	\$1250.00
207.		507.	
208. SELLER CLOSING COST CREDIT	\$3000.00	508. SELLER CLOSING COST CREDIT	\$3000.00
209.		509.	



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Completed HUD-1 Review

OMB No. 2502-0265 Page 1

A. CHICAGO TITLE INSURANCE COMPANY

Settlement Statement (HUD-1)

B. TYPE OF LOAN

FHA 2. RHS 3. Conv. Unins.
 VA 4. Conv. Ins.

7. Loan Number: 123456789
8. Mortgage Insurance Case Number

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: QUALIFIED BUYER 2323 N. DEBOR LANE CHICAGO, ILLINOIS 60666	E. Name & Address of Seller: HAPPY SELLER 4000 PARADISE PARKWAY CHICAGO, ILLINOIS 60666	F. Name & Address of Lender: LOOSE LENDING, INC. 2 FOCLOSURE AVENUE CHICAGO, ILLINOIS 60666
G. Property Location: 2323 S. SETTLEMENT AGENT WAY, UNIT 2 CHICAGO, ILLINOIS 60666	H. Settlement Agent: CHICAGO TITLE AND TRUST COMPANY 171 NORTH CLARK CHICAGO ILLINOIS 60601 Place of Settlement: 171 NORTH CLARK CHICAGO ILLINOIS 60601	I. Settlement Date: June 23, 2010 Disbursement Date: June 23, 2010



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Completed HUD-1 Review

101. Contract sales price	260,000.00	401. Contract sales price	260,000.00
102. Personal Property		402. Personal Property	
103. Settlement charges to borrower (line 1400)	11,002.61	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes		406. City/town taxes	
107. County taxes		407. County taxes	
108. Assessments		501. Excess deposit (see instructions)	
201. Deposit or earnest money		502. Settlement charges to seller (line 1400)	14,305.70
202. Principal amount of new loan(s)	160,000.00	503. Existing loan(s) taken subject to	
203. Existing loan(s) taken subject to		504. Payoff of first mortgage loan	
204.		505. Payoff of second mortgage loan	
205.		506. EARNEST MONEY RETAINED BY REALTOR	5,000.00
206. EARNEST MONEY RETAINED BY REALTOR	5,000.00	507. SELLER CREDIT FOR OWNERS POLICY	1,390.00
207. SELLER CREDIT FOR OWNERS POLICY	1,390.00		
210. City/town taxes		510. City/town taxes	
211. County taxes 07/31/09 to 12/31/09	2,741.27	511. County taxes 07/31/09 to 12/31/09	2,741.27
212. Assessments		512. Assessments	
213. 2010 TAXES 01-1-10 TO 04-29-10	1,986.06	513. 2010 TAXES 01-1-10 TO 04-29-10	1,986.06
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER	223,997.33	520. TOTAL REDUCTIONS AMT DUE SELLER	260,000.00

Completed HUD-1 Review

800. ITEMS PAYABLE IN CONNECTION WITH LOAN			
801. Our origination charge	\$ 820.88	(from GFE #1)	
802. Your credit and charge (points) for specific interest rate chosen	\$ 1,560.00	(from GFE #2)	
803. Your adjusted origination charges LOOSE LENDING, INC.		(from GFE #1)	2,455.00
804. Appraisal fee to XYZ APPRAISAL SERVICES		(from GFE #3)	225.00
805. Credit report to		(from GFE #3)	
806. Tax services to		(from GFE #3)	
807. Flood certification to		(from GFE #3)	
808.			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE			
901. Daily interest charges from 04/29/10 to 05/01/10 @ \$ 28.4932 /day		(from GFE #10)	56.99
902. Mortgage insurance premium for		(from GFE #3)	
903. Homeowner's insurance for 1.00 years to ABC INS. (3444)POCB		(from GFE #11)	
904. HAZARD INS. PREMIUM TO MASTER CONDO POLICY/			
1000. RESERVES DEPOSITED WITH LENDER			
1001. Initial deposit for your escrow account		(from GFE #9)	2,233.62
1002. Homeowner's insurance	months @ \$ per month \$		
1003. Mortgage insurance	months @ \$ per month \$		
1004. County property taxes 4.00 months @ \$ 558.41 per month \$			2,233.64
1005.	months @ \$ per month \$		
1006.	months @ \$ per month \$		
1007. Aggregate Accounting Adjustment	\$(0.02)		

Completed HUD-1 Review

Explanation of Title Fees

1100. TITLE CHARGES			
1101. Title services and lender's title insurance		(from GFE #4)	1,700.00
1102. Settlement or Closing Fee CTI	\$ 850.00		
1103. Owner's title insurance to		(from GFE #5)	1,390.00
1104. Lender's title insurance to	\$ 650.00		
1105. Lender's title policy limit	\$ 160,000.00		
1106. Owner's title policy limit	\$ 312,000.00		
1107. Agent's portion of the total title insurance premium	\$ 1,428.00		
1108. Underwriter's portion of the total title insurance premium	\$ 612.00		
1109. Other Charges	\$ 200.00		100.00

Line 1101 – Title services and lender's title insurance are all listed within a single line item. Fees cannot be broken out individually.

Line 1104 – This total includes endorsements fees.



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Completed HUD-1 Review

Listing Title Agent Premiums

1100. TITLE CHARGES			
1101. Title services and lender's title insurance		(from GFE #4)	1,700.00
1102. Settlement or Closing Fee CTI	\$ 850.00		
1103. Owner's title insurance to		(from GFE #5)	1,390.00
1104. Lender's title insurance to	\$ 650.00		
1105. Lender's title policy limit	\$ 160,000.00		
1106. Owner's title policy limit	\$ 312,000.00		
1107. Agent's portion of the total title insurance premium	\$ 1,428.00		
1108. Underwriter's portion of the total title insurance premium	\$ 612.00		
1109. Other Charges	\$ 200.00		100.00

- The **total amount of insurance** (including endorsements) can be calculated by adding the sum of **Line 1103** and the amount listed to the left of **Line 1104**.
- **Line 1107** notes the premium paid to the title agent.
- **Line 1108** notes the underwriter's portion of the title premium.



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Completed HUD-1 Review

New Page 3 – Comparison of Good Faith Estimate and HUD-1 Charges

Charges That Cannot Increase	HUD-1 Line Number	Good Faith Estimate	HUD-1
Our origination charge	# 801	895.00	895.00
Your credit or charge (points) for specific interest rate chosen	# 802	1,560.00	1,560.00
Your adjusted origination charges	# 803	2,455.00	2,455.00
Transfer Taxes	#1203	1,950.00	1,950.00
Tolerance Adjustment			
Total		4,405.00	4,405.00
Charges That in Total Cannot Increase More Than 10%			
Government recording charges	#1201	150.00	134.00
Appraisal Fee	# 804	225.00	225.00
Tolerance Adjustment:			
Total		375.00	350.00
Increase between GFE and HUD-1 Charges		\$ (16.00) or (4.267)%	



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Completed HUD-1 Review

New Page 3 – Comparison of Good Faith Estimate and HUD-1 Charges

Charges That Can Change	HUD-1 Line Number	Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001	2,513.00	2,233.62
Daily interest charges from 04/29/10 to 05/01/10 @ \$ 28.4832/day	# 801		56.99
Homeowners insurance	# 903	350.00	444.00
Title services and lender's title insurance	#1101	1,800.00	1,928.00
Owner's title insurance	#1103	1,300.00	1,270.00
ADDITIONAL SETTLEMENT CHARGES (ATTACHED)	#1308	800.00	790.00

Loan Terms	
Your initial loan amount is	\$ 208,000.00
Your loan term is	30 years
Your initial interest rate is	5.000%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,312.00 (includes) <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of _____ The first change will be on _____ and can change again every _____ after _____ Every change date, your interest rate can increase or decrease by _____ Over the life of the loan, your interest rate is guaranteed to never be lower than _____ or higher than _____
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____ and the monthly amount owed can rise to \$ _____
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____ The maximum it can ever rise to is \$ _____
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ _____
Total monthly amount owed including escrow account payments	1.) You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay those items directly yourself. <input checked="" type="checkbox"/> 2.) You have an additional monthly escrow payment of \$ 338.41 that results in a total initial monthly amount owed of \$ 1,675.00 This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/>

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



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Questions and Answers

Please submit your written questions with the webinar control panel on your screen



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