GFE INTRODUCTION:

Effective January 1, 2010, HUD restructured the Good Faith Estimate ("GFE") and HUD-1 forms to facilitate comparison shopping and improve their connection. Because of the new links between the documents, there is now a greater focus on clarity, reliable information, and accountability. It is more important than ever to thoroughly understand the GFE and how to properly complete it. This guide will analyze the GFE in depth, focusing on some of the basic features involved with GFE creation.

The GFE shows the loan terms and the settlement charges that the consumers will pay if they decide to go forward with the loan process. It also explains which charges can change and which charges must remain fixed. Finally, the GFE has a "shopping chart" that allows the consumer to easily compare multiple mortgage loans and settlement costs.

This GFE Guide is provided for information purposes for our customers and friends in the industry. IT IS NOT INTENDED TO BE LEGAL ADVICE. This material is written from our perspective as a service provider. It is intended to be a guide and not an all-encompassing manual. For guidance on a particular transaction, please contact an attorney practicing in this field, or a qualified compliance officer.

Vocabulary:

Disclosures: Providing the consumer information concerning the condition and other aspects of the property or the loan product.

Section: The GFE and HUD-1 are split into different sections which contain different types of information.

Block: The most basic GFE unit, continuing both a column for listing the fees and also a box that describes the service/fee.

Box: A single cell inside the HUD-1 or GFE. It will always be surrounded by four black lines.

Column: The GFE has columns used to display both the loan terms and the settlement costs. On the GFE, all costs will be automatically assumed to be paid by the consumer. The shopping cart is the only portion of the document with multiple columns. It is used to compare and contrast different loan product breakdowns.

Loan Originator: Both the lender and mortgage broker have the ability to provide GFE's, so the GFE provider will be referred to as the "loan originator" throughout this document.

Consumer: Because the consumers have not yet committed to the loan, they will be referred to as the "consumer" throughout this document.

HUD: Department of Housing and Urban Development. The federal government branch which has issued the guidelines for the GFE.

GFE: Good Faith Estimate. The GFE (Good Faith Estimate) is a three page form that assists consumers in shopping for a mortgage loan and settlement services so they may determine which mortgage is best.

GFE ATTRIBUTES:

Six Necessary Elements for an Application

The GFE may be provided by a mortgage broker or the lender, but the lender is ultimately responsible for the content and prompt delivery of the GFE to the consumer. The GFE must be provided to consumers within three business days of application, and must remain valid for at least 10 business days. Some investors will require their mortgage originators to provide proof that the GFE was provided within three business days of application, which may require the consumer sign an acknowledgement of having received the GFE.

In the loan application process, the loan originator will need a certain amount of information to make a credit decision. HUD has listed specific elements that must be present in order to have a complete application. Loan originators may identify additional items not included in the list. However, a GFE must be provided no later than three business days after the consumer provides the six items of information.

1. Consumer's name
2. Social Security
3. Property Address
4. Gross Monthly Income
5. Home value or best Estimate of Value
6. Requested Loan Amount

A loan originator must not avoid gathering this specific information to keep the submission from becoming an application (such as avoiding learning the property address in a refinance loan). HUD prohibits the loan originator from gathering supplemental documentation or verifying the provided information at this point in the process. If any of the pieces of information are eventually found to be faulty, a change of circumstance and new GFE may be released, or the applicant may be denied the loan product. This includes, but is not limited to, documentation on income or ability to repay, and asset documentation. At this point no money can be collected from the applicant(s) except for the actual cost of a credit report. Refer to MDIA (Mortgage Disclosure Improvement Act) for fee collection requirements.

Prequalification

The HUD FAQ guide states that the RESPA rule does not address preapprovals, but HUD permits originators to engage in preapprovals, and specifically mentions that consumers "may apply" for them. However, loan originators must be consistent in what constitutes a preapproval versus an application. A loan originator may issue a GFE before all six necessary elements are provided, but all of the rules that govern the GFE process still apply as if all the elements have been provided. A loan originator may also not discourage a consumer from providing enough information that would automatically qualify as an application and necessitate a GFE. Before the application stage is triggered, originators may verify information that the customer voluntarily provides, and may ask for supplemental documentation to verify information. The loan originator may use its own sources to independently verify the information on a consumer's application for a preapproval, but may not charge the consumer for the verifications.

GFE Principles:

Fees not required by the lender or title company (such as inspections, optional credit insurance, surveys, etc.) do not need to be listed on the GFE but should be added to the HUD-1 later. Per HUD FAQ, signature lines or attestations cannot be added to the GFE. The GFE cannot be altered in any fashion except to add additional fee lines on Blocks 3, 6, and 11, but some boxes may be left blank at the loan originator's discretion, such as the shopping cart.

If there are multiple companies that may be chosen for providing a particular service, it may be advisable for the GFE to display the highest possible charge inside of the columns. The initial GFE is considered binding, subject to any changed circumstance, so must be accurate. The lender will be held to all disclosed fees. This includes origination fees as well as fees disclosed for third party services.

If the consumer does not express the intent to accept the provided offer after 10 business days, the GFE is considered expired. If the consumer does not lock the interest rate within the time period designated on the GFE, or if the lock expires, a new GFE must be issued, but the only portions that may change are the charge or credit for the interest rate chosen, the adjusted origination charges, the per diem interest, and other directly related loan terms.

The interest rate may only be locked through a separate agreement with the consumer. Disclosing an interest rate on the GFE does not necessarily mean that the interest rate is locked. If the rate lock expires, a new GFE should be issued.

The loan originator must provide a revised GFE to the consumer after the consumer agrees to lock in the interest rate. When the interest rate is changed, the box stating the minimum number of days to lock before settlement may now be marked, "N/A," and the following boxes may all be changed as necessary: "lock expiration date," "number of days within which the consumer must go to settlement," payment amount, credit or charge for the chosen interest rate, adjusted origination charge, per diem interest rate, total prepaid interest, estimated closing date, and charges for other settlement services.

For mortgage insurance, HUD advised that the GFE should disclose the net upfront premium due on the new loan (i.e., the full upfront premium due on the new loan subtracted from the refund on the existing loan), and that lender-paid mortgage insurance is not disclosed on the GFE. HUD also confirmed that homeowner's association dues, homeowner's association transfer fees, condominium dues, home inspection fees voluntarily requested and obtained by the consumer, and property taxes are not disclosed in the GFE.

Because consumers are not allowed to sign the initial GFE form, loan originators may develop practices and procedures to document the consumer's acknowledgement of receipt of the GFE. However, lenders may not refuse to provide a GFE based upon a consumer's refusal to acknowledge it has been received.

Additionally, a worksheet may be used in conjunction with the GFE in order to provide the consumer with additional information about the loan transaction (such as the amount of cash needed to close, the agreed upon seller credits, and other non-loan transaction fees that would be helpful to the consumer to have). Loan originators may find these worksheets necessary in cases in which the seller, lender, or third party will be paying fees listed as the consumer's on the GFE. These worksheets may be provided both before and after an application is triggered. Worksheets should not appear to be a GFE, suggest that they are a part of the GFE, or provide information that should be present on the GFE itself. Fee amounts and loan terms listed in a worksheet should be consistent with the fee amounts and loan terms disclosed in the GFE prepared at the same time.

Change of Circumstance:

There are five categories of conditions that permit changes in the GFE. Every single change of circumstance must be separately entered and provided.

The five conditions that constitute valid "changed circumstances" are:

1. Acts of God, war, disaster, or other type of emergency (i.e. hurricane, FEMA disaster).

2. Information particular to the consumer or transaction that was relied on in providing the GFE that has changed or has been found to be inaccurate (this includes the credit quality of the consumer, the amount of the loan, the estimate value of the property, or any other information that was specifically used in providing the GFE).

3. Changed or inaccurate information provided by the consumer after the issuance of the GFE such as credit quality, loan amount, or property value.

4. New information not previously relied on (i.e. additional people on title).

5. Other circumstance (i.e. boundary disputes, required flood insurance, environmental problems, loan product changing (such as from conventional to FHA), new appraisal due to natural disaster, original home purchase fell through).

If none of these categories are met, but a change in charge exceeds the listed tolerance threshold, then the loan has a tolerance violation that must be cured within 30 days after closing. If the consumer requests changes that result in increased costs, the loan originator may provide a revised GFE with a note that the consumer understands that the requested changes have impacted the loan terms. The 10 day GFE cost guarantee does not need to start over upon the issuance of a new GFE due to a changed circumstance because the changed circumstance will clearly reflect what particular fee has changed and why, so the consumer is not applying for an entirely new GFE, but rather a slightly altered GFE that better suits the consumer's needs or better reflects the consumer's situation. If the terms disclosed in the GFE are not accepted by the consumer before consent to continue has been signed, then the entire GFE may change.

For changed circumstances that affect the loan terms, the loan originator must provide a revised GFE to the consumer within three business days once sufficient information to establish the changed circumstance has been reached. The revised GFE may only increase charges for fees affected by the submitted changed circumstance.

The lender is the only person who is able to change the circumstance of a loan. If a settlement agent notices a fee that would require a change of circumstance, then the settlement agent should notify the lender so that the lender may issue a change of circumstance. However, in almost all cases a chance of circumstance to the GFE will not be needed and the settlement agent will work with the lender to add a tolerance cure to the HUD-1.

Change of circumstances do not include the consumer's name, the consumer's monthly income, the property address, the estimated value of the property, the mortgage loan amount, any information the credit report generated prior to the GFE, and market price fluctuations. Any changed circumstance must be clearly documented within the loan file using the Change Circumstance Worksheet, with the original GFE and re-issued GFE both maintained in the loan file. Typically, a consumer will sign a "Consent to Continue" before a revised GFE is issued.

Parties being added or removed from the title, and/or changing the property vesting into or out of a trust, could be considered a changed circumstance. After the GFE is issued, if party will be using a POA to sign which may require additional work and services it could also be considered a changed circumstance.

It is possible that certain title issues (e.g. an unexpected amount of curative work) could constitute a "changed circumstance" whereby the GFE Block 4 estimate could be revised to show a higher fee than quoted. However, often, such curative work is a seller expense on a purchase/sale transaction, as the seller is typically required to convey "marketable title" to the buyer. Since the GFE is a consumer document, an increase in fees charged directly to the seller would not generally impact the GFE but would be documented on the HUD-1.

For new construction purchases which may not close for months, HUD has issued a special guideline. The loan originator is allowed to issue amended GFE's during the construction phase, without having to demonstrate changed circumstance with each new GFE. HUD has indicated that revised GFE's may be issued for a "bridge loan," or a loan to finance construction of a home if: the construction phase is longer than 60 days, a Certificate of Completion (Certificate of Occupancy) has not been issued yet, and an initial GFE is given with a separate piece of paper stating that the loan originator may issue a new GFE at least 60 days before the closing. With these conditions met, a new GFE may be issued to the consumer at any time up until 60 calendar days prior to closing. The original GFE will no longer be binding when the new GFE is issued. If the loan originator does not choose to disclose that a revised GFE may be issued at any time (up to 60 days before settlement), then the revised GFE cannot be issued except as otherwise provided for the normal changed circumstance procedure.

Service Providers:

In addition to the origination charges, there are other charges for required services which will be provided by "Service Providers." There are four different types of Service Providers: Lender Required Service Provider, Lender Identified Service Provider, Borrower Selected Service Provider (Not on Lender's List), and Affiliated Service Providers. If a service is not required by the loan originator (i.e Pest Inspection, Home Warranty) then the associated service fee MUST NOT be listed on the GFE. Instead, it will be a Borrower Selected Service Provider (not on Lender's List) that only appears on the HUD-1.

A written list (Settlement Service Provider List) should be provided along with the GFE that includes all settlement services that the consumer is required to have but may also shop for. The identified providers on the list must be available in the jurisdiction to provide service to the consumer. The inclusion of any provider on the list will constitute a "referral" of that provider. The services separated on the Settlement Service Provider List should have the associated estimated fee for the component services listed next to the header for the list of providers of that service. Loan originators may include a disclaimer on the list of settlement service providers stating that the loan originator does not endorse any provider. How many vendors are listed depends on the loan originator, but a minimum of one service provider for each "shoppable" service must be provided. If no service providers are listed, then it is assumed the consumer could not shop for the service and the fees will be bound by specific fee tolerances. The name of the service provider with the highest provided price may be listed in the block, but, for the sake of clarity, it is recommended that only the service descriptions themselves will be described on the GFE directly. A consumer may select a provider from this list or choose another, qualified provider.

The services that the loan originator will select for the consumer are listed in Block 3. These are not "shoppable" services and often include items such as the property appraisal, credit report, flood certification, tax service and any required mortgage insurance.

The loan originator usually permits the consumer to select the settlement service provider for "Title services and lender's title insurance" in Block 4, but this may vary for some lenders and loan programs and the settlement service may be a loan originator selected service provider.

"Owner's title insurance" is disclosed as an optional service in Block 5 to protect the consumer's interests, but must always be listed on the GFE. According to HUD, the seller may not require the consumer, as a condition of the sale, to purchase title insurance from any particular title company.

For required services, the consumer may decide on providers outside of the loan originator identified offers in Block 6. Some of these items may include a survey or pest inspection.

Affiliated Service Providers may be used, but will not appear directly on the GFE. When a lender, real estate broker, builder, or others refer the consumer to an affiliated settlement service provider, RESPA requires that the referring party give the consumer an Affiliated Business Arrangement Disclosure. Except under certain circumstances, the consumer is not required to use the affiliate and is free to shop for other service providers. For each affiliate listed, at least one non-affiliated service provider must also be listed. A loan originator is not permitted to require the use of its affiliate for the tax service or flood certificate.

TOLERANCE BUCKETS

There are three specific tolerance buckets as defined by HUD. All provided fees will fall into one of the brackets. The GFE explains the tolerance buckets, but they will not be applied to the loan charges until the HUD-1 is created and the final settlement charges can be compared to the GFE settlement charges.

Charges that Cannot Increase

These charges are the amounts shown in GFE Blocks 1 and 2, Line A, and Block 8. If there is a credit in Block 2, the credit should be entered as a negative number. Note that all mortgage taxes and intangibles taxes must be included in Block 8.

Charges That Cannot Increase More than 10 Percent

If a consumer chooses a name from the written list provided, that charge is within the 10% tolerance category. The tolerance limit is for the total of all amounts listed in this section and not for individual fees. In other words, the total of all fees added into this tolerance bucket cannot increase by more than 10 percent from the GFE to the HUD-1.

These charges are the amounts listed in Blocks 3 and 8, and may include charges in Blocks 4, 5, and 6, depending on the consumer's choices (for example, if the consumer did not purchase the owner's title insurance or selected a provider not identified by the loan originator). For the vast majority of loans, these items will include the appraisal fee, credit report fee, tax service fee, flood certification fee, and up front mortgage insurance premium (including FHA premium or VA guarantee fee).

Charges That Can Change

The amounts listed in this section are not subject to a tolerance, meaning that they can vary from the amounts disclosed on the GFE without restriction.

These charges amounts shown in Blocks 9, 10, and 11 on the GFE, as well as third party settlement services for which the consumer selected a provider other than one identified by the loan originator. If the consumer selects a provider outside the list, no tolerance restrictions will apply.

GFE BREAKDOWN:

The GFE displays and breaks down the following information to the consumer:

1. Origination Charge
2. Title Services and Lender's Title Insurance
3. Government Recording Charges
4. Transfer Taxes
5. Initial Deposit in Escrow Account
6. Basic Loan Terms
7. Required Service providers

The rest of this document will be used to examine the GFE in depth field to field.

General Loan Identification:

This section contains the basic identification of the parties involved with the transaction. Loan originators enter both their information and the applicant's identities, the property address, and the date when the GFE is being issued.

Name of Originator: The term "loan originator" is used in place of broker or lender, as it could signify either. This box contains the name of the institution preparing the GFE. The addition of the loan officer's personal name and NMLS registration number is optional.

Originator Address: Contains the address of the institution's branch that will serve as the main contact for the consumer.

Originator Phone Number: Contains the telephone contact information for general contact at the originator's institution.

Originator Email: Contains the email information used for general contact at the institution, if such information is available. However, an email address is not required and may be left blank.

Borrower Name: This block must contain the names of all applicants to the transaction. Enter the primary consumer and additional consumers if space permits. Otherwise, enter "et al."

Property Address: The address included in this box should be for the property that is securing the loan. The GFE should be revised if the consumer changes properties or the consumer has misidentified the property. Only the true collateral address should be used.

Date of GFE: In most instances, this is when the GFE is sent to the consumer. HUD advises that when a GFE is mailed, the 10 business day period is based on the date of the mailing, not the date that the GFE is prepared. If a GFE is mailed the next day, the ten business day period would begin on that day as well, and the date entered in Line 2 of Important Dates should be based on the mailed date. Remember that the GFE must be mailed with 3 day of the application.

Important Dates:

The Important Dates section of the GFE lists several important deadlines applicable to the transaction and identifies the dates after which certain loan terms and settlement fees may no longer be available to the applicant. These fields are discussed in detail on pages 17-19 of the RESPA FAQ.

Date 1, "Interest Rate Available Through": Discloses the date and, if necessary, time until the interest rate for the loan will be available. There is no minimum amount of time required. The loan originator is also not required to offer a lock on the consumer's interest rate at the time of offering the GFE, and may enter 'N/A.' If the GFE is being mailed, then the date and time in this line may expire before the consumer receives the GFE.

Date 2, "Settlement Charges Estimate available through": Discloses the date through which all other settlement charges will be available. The settlement charges must include the block value for "Our origination charge" on page one of the GFE and the vendor fees listed on page 2. The date must be at least 10 business days from the date of the GFE listed in the "General Loan Information" section. "Business Day" is defined as any day that the loan originator is open to conduct substantially all of its business, and will usually exclude Sundays, but may also exclude Saturdays. This field must always be populated when an initial GFE is offered. When a revised GFE with a change of circumstance is issued, a new 10 business day shopping period for the revised GFE is not required. If the date on line 2 expires before the GFE is formally accepted by the consumer, the loan originator will no longer be bound by that GFE and is free to issue an entirely new GFE.

Date 3, the "Rate Lock Period" field: Discloses the number of days in the interest rate time lock period (such as 30, 45 or 60 calendar days), which is the period in which the consumer must go to settlement once the interest rate has been locked. The interest rate will not lock when the consumer receives the GFE, but when the consumer decides to continue with the transaction. If no rate lock agreement is being offered when the GFE is issued, this may be marked "N/A."

Date 4, the "Days Before Settlement That the Interest Rate Must Be Locked" field: Discloses the number of days prior to going to settlement that the interest rate must be locked, if applicable. This field is for clarification only, and there is no minimum or maximum period required, though TILA requirements imposed under MDIA may require a lock of at least three business days before closing to avoid the need for a TILA redisclosure and delay of the closing. If no rate lock agreement is being offered when the GFE is issued, this may be marked "N/A."

Summary of Loan Terms:

The “Summary of Your Loan Terms” section contains a summary of loan terms and escrow account information with questions in the left column and appropriate responses on the right which have been individually tailored to the loan.

All loans in this section must be shown as monthly payment loans. Other payment schedules outside of month-to-month (such as biweekly loan payments) should be converted into the monthly format with decimals. If a seller or another party buys down the interest rate, the impact of the buy down should be reflected in the interest rate and payment amount displayed.

Initial Loan amount: The anticipated security instrument’s principal loan amount on the closing date. A change in the loan amount requested by the consumer will permit the loan originator to modify the GFE terms affected by the change. The revised GFE must be provided within three days of the loan originator learning of the consumer’s request for the change.

Loan Term: The loan term is typically listed in years. However, if desired, years and months may be entered as well (e.g. 30 years, 1 month).

Initial Interest Rate: The interest rate applicable on the closing date, but not necessarily the note rate. This rate may be a “teaser” or premium rate, or the effective rate paid by the consumer after an interest buy down is applied.

Initial monthly amount: The monthly amount listed that is the higher of either the total of the principal, interest, and mortgage insurance payment or the total of the accrued interest of the first regularly scheduled payment plus the mortgage insurance payment.

Interest Rate’s Ability to Rise: This line is used to indicate whether the interest rate can rise, what the maximum rate over the life of the loan can be, and after what period of time the interest rate can first change. This would include conditional preferred rate features such as employee rates and automatic electronic payment rates. If the mortgage has an adjustable rate, this selection will be marked “Yes.”

Even if Payments Made on time, Loan balance may rise: This line is used to indicate whether the loan balance can rise even if the consumer makes payments on time. This will not apply to fixed Rate Mortgages. However, it could apply to loans with negative amortization, interest-only features, or any other product features that could cause the loan balance to increase even with continuous on-time payments. If the payment will increase only because escrow items are being paid through the loan balance, the loan originator is not required to check the box indicating that the payment can rise. The “Rise to a maximum” field must display the maximum amount to which the loan balance can rise over the life of loan, and is populated depending on the loan product selected.

Even if Payments Made on time, monthly amount may rise: This line is used to indicate whether the monthly amount owed for principal, interest, and any mortgage insurance can rise even if the consumer makes all payments on time. If the payment will increase only because escrow items are being paid, then the loan originator is not required to check the box indicating that the payment can rise. The maximum payment should be entered, not the fully indexed amortized amount. This possible condition will not apply to Fixed Rate Mortgages. The "First Increase Can Be In" box indicates the period of time after which the monthly amount owed can change for the first time. The "Monthly Amount Owed Can Rise to" box indicates the maximum amount to which the monthly amount owed can rise at the time of the first change (which is the PITI amount and not just the principal amount). The "Maximum Amount Can Ever Rise To" box indicates the maximum amount to which the monthly amount owed can rise over the life of the loan. The maximum payment amount is calculated in the same manner as the maximum payment disclosure in the ARM loan program disclosure.

Have prepayment penalty? This box is used to indicate whether a prepayment penalty applies to the loan. The maximum amount of the penalty will be displayed in the "Maximum penalty" box as a dollar amount.

Have a balloon payment? This box is used to indicate whether there is a balloon payment, and the amount of the payment and the number of years before it is due. The time period may not be reflected in months, but decimals may be used to show periods that are not whole years.

Escrow Account

This section informs the consumer whether the loan includes an escrow account for property taxes and other financial obligations relating to the loan. If the initial GFE does not reflect the existence of an escrow account, then the subsequent request of the consumer to waive the escrow account requirement cannot be considered a consumer requested change that permits the loan originator to include an escrow waiver charge.

"Some Lenders require… monthly amount owed of $": Filled with the same amount shown in the "Summary of Loan Terms" "Initial Monthly amount." This amount should exclude any estimated escrow payment. Per HUD instructions, the monthly escrow payment is not included in the GFE and must reflect the principal, interest, and mortgage insurance payment only. Either "No" or "Yes" is checked to indicate whether an escrow is required in that transaction.

Summary of Settlement Charges

The "Summary of Settlement Charges" provides a summary of the total estimated settlement charges for the transaction from various other parts of the GFE form.

"Block A: Your Adjusted Origination Charges": Is a display of the amount from Box A at the top of page 2 of the GFE, the "Adjusted Origination Charges."

"Block B: Your Charges for All Other Settlement Services": Is a display of the amount from Box B at the bottom of page 2 of the GFE, the "Your Charges for All other Settlement Services,"

"Block A + B: Total Estimated Settlement Charges": Is a display of the amount from Box A + Box B at the bottom of page 2 of the GFE.

Estimated Settlement Charges

Block 1, Our Origination Charge: The Origination Charge is the disclosure of the aggregate amount of all fees to be paid to loan originators in the transaction; including administrative, processing, and costs for originating the loan. This should be the total of all fees paid to BOTH the Lender & Broker, which must also include the YSP, but excluding discount points used to buy down the rate and charges for third-party services. This box should never be blank, either 0 or N/A should be displayed if no fees are being charged. Block one items may vary when there is a "changed circumstance" with the loan. If a consumer requests a different loan amount, a portion of the fee in Block 1 may be calculated differently to reflect the new amount, as long as the change is documented.

While an originator's fee to process a subordinate loan would be included in Block 1 of the GFE, the fee paid to a second lien holder to subordinate its loan is disclosed in Block 3 of the GFE. When originators contract out such services as loan document preparation or attorney's fees for the lender, such fees are considered to be a part of the origination of the loan.

Most common fees included:
Origination Fee, Yield Spread Premium (YSP), Commitment Fee, Processing Fee, Underwriting Fee, Automated Underwriting System, Lock In Fee, Extended Lock Fee, Rate Lock Extension Fee, Return to Float Fee, Escrow Waiver Fee, Work Escrow Holdback Fund Fee, Repair Admin Fee (Reverse), Application fee, MERS registration fee, Fee for an appraisal by a in-house appraiser, Document review fee, Document preparation fee, Fee for document review or preparation by the originator's attorney, Document delivery fee, Email fee, Wire fee, Origination point, Copy fee, Courier fee, Originator closing fee, Subordination processing fee, Patriot Act search fee, Survey review fee and Regulatory compliance fee, Lender Inspection, Loan Handling, Funding, Mortgage Broker.

Block 2, Your credit or charge (points) for the specific interest rate chosen: Discloses credits given to the consumer or charges imposed on the consumer based on the interest rate established for the loan. Rate lock extension fees and escrow waiver fees are disclosed in Block 2 of the GFE. HUD is treating such fees as charges for the rate chosen. However, HUD has also advised that if at the time an initial GFE is prepared and the loan originator knows that an escrow waiver fee will be charged, the escrow waiver fee could be included in Block 1 or Block 2.

Some transactions will have a credit given to the consumer by the loan originator to pay for the closing costs if the consumer elects an interest rate above the loan originator's par rate, and that the consumer will pay a charge for discount points if the consumer elects to buy down the interest rate. Only one box on each loan may be checked, determined by three factors: one, whether a mortgage broker is involved with the transaction (adding a charge), two, whether there are points to buy down the rate (adding a charge), and three, whether there are lender credits. This new language will replace the "Yield Spread Premium" language on the GFE. For mortgage brokers, an interest rate based credit may be used for compensation. If there are both credits and charges to the consumer that must be listed in Block 2 then the loan originator must net the credits and charges to arrive at the total credit or charge. For example, the loan originator provides a credit to the consumer, but there is also a loan level price adjustment charge, so the adjustment is netted from the credit to display the reduced, total remaining credit.

Box One: checked for par pricing, and may be checked if the lender is not paying the mortgage broker or any of its own or third party closing costs based on the interest rate, as well as not imposing a charge like a discount point or buy-down fee for the interest rate.

Box Two: checked for over par pricing, such as disclosing what was previously the YSP. The second box will mostly be used to compensate the mortgage broker or pay some of the other lender's or third party closing costs. The number may be shown as a positive value on the left side of the block, but will always be a negative fee on the right side of the block.

Box Three: checked for under par pricing, such as discount points.

Most Common:
Yield Spread Premium (YSP). Loan Discount Points. If the credit or charge for the interest rate is included in the "Our Origination Charge" Block, then the first box may be checked.

Block A, Your Adjusted Origination Charges: Discloses the total origination charges applicable to the transaction. The numbers in Blocks 1 and 2 are added and entered as a subtotal. This total could be a negative number if there is a credit in Block 2 that exceeds the charge in Block 1. The amount stated in Block A cannot be increased once the interest rate is locked, unless the loan is subject to a changed circumstance.

For no-cost loans, the origination charges and third party costs must be offset by the credit in Block 2. Then the total that is shown on line A will be a negative value which will be enough to cover all the charges listed in Blocks 3 through 11. However, if there are portions of Blocks 3 through 11 that are paid by the seller, loan originator, or any other party, then the credit in Block 2 may be less than all charges displayed. The loan originator is still defining a tolerance commitment to the consumer for these costs, and will have to pay a tolerance cure to the consumer if these costs increase beyond the tolerance, even if the loan originator had always planned on paying the entirety of these costs.

Block 3, Required Services That we Select: Discloses the itemization of required services that the loan originator will select for the consumer, except for the title services. The proper name of the service provider selected is not required, but the description of the service must be listed. The loan originator must disclose the estimated price to be paid to the provider of each service on the left side of the column, with the total of all fees displayed in the large box on the right. The total will always be subject to the 10 percent tolerance bucket. The "All Other Settlement Services" section must display "0" or "N/A" if there are no charges in a particular section, and must not be left blank. Additional lines may be added as necessary.

If a governmental loan program chooses a settlement service provider, it should be disclosed here, unless the consumer is prohibited from paying the fee (e.g. seller points). Common fees disclosed are the tax service provider, mortgage insurance premium, VA Funding Fee, fees paid to condominium associations (fees paid for processing the certificate or questionnaire of condominium properties is an origination service and should be disclosed in Block 1, even if performed by a third party). Because Lender Paid Mortgage Insurance is already captured in the interest rate and will not be charged separately to the consumer, the fee should not be listed.

Most Common:
Appraisal Fee, Final Inspection Fee, Flood Checks, Flood certification, Tax Services, Credit Report Fee, FHA Upfront MIP, VA Funding Fee, RD Guarantee Fee, MI Initial Premium, Condominium Certificate, Condominium Questionnaire, Charge by Consumer's Employer for Verification of Employment, Charge by Banking Institution for Verification of Deposit.

Block 4, Title Services and Lender's Title Insurance: Discloses the total estimated charge for third party settlement service providers of all title and closing services (including charges for conducting the settlement), regardless of whether the providers are selected or paid for by the consumer, seller, or loan originator (unless the law or practice explicitly imposes the charge on the seller). The total will be part of the 10 percent tolerance bucket for all loan originator selected providers or if the consumer uses a provider identified by the loan originator. The tolerance will not apply if the consumer selects and uses a provider that is not identified by the loan originator.

On the Settlement Service Provider List, the individual service provider components may be itemized between providers that conduct settlements and the providers of the lender's title insurance (as well as providers of escrow services for some states), but the sum of these estimated fees must always be provided for Block 4. If the title agent requires the creation of a survey to issue the title policy, the cost of the survey service must also be included in the total amount disclosed. The recording fees, transfer taxes, and mortgage taxes are all disclosed in separate blocks of the GFE and should not be listed here. The lender's title insurance and title endorsements premiums required for the loan product should also be disclosed, regardless of whether the provider is selected or paid for by the consumer, seller, or loan originator. For localities in which separate charges for the consumer and seller are common, only the consumer charges should be included, and charges that the seller pays as a matter of common practice and experience do not need to be disclosed on the GFE.

Most common:
Title Insurance (Lender's Coverage), Title Guarantee, Title Endorsements, Title Search Fee, Name Search Fee, Settlement Fee, Attorney Fee, Courier/messenger/overnight delivery Fee, Recording Service Fee, Title Commitment/Binder Fee, Notary Fee, Settlement/Closing Fee, Email Fee, Fee for an Endorsement Related to the Lender's Title Insurance Policy, Deed Preparation Fee, Document Recording Service Fee, Document Delivery Fee, Fee for Document Preparation by the Title Company's Attorney, Title Lien Certificate Charge, Abstract/Title Search Fee, Title Examination Fee, Judgment Search Fee, Copy Fee, Fee for Survey Required to Issue the Lender's Title Insurance Policy, Survey Review Fee, Abstract Fee Charged to Seller, Fee to Clear Title Defects, State Title Guaranty Charge, Wire Fee, Courier Fee, Patriot Act Search Fee, Lien Search Fee and Regulatory Compliance Fee.

Block 5, Owner's Title Insurance: For purchase transactions, this box provides an estimate of the charge for the owner's title insurance and all related endorsements, regardless of whether the providers are ultimately selected or if the insurance will be paid for by the consumer, seller, or loan originator. This charge is part of the overall 10 percent tolerance if the consumer uses a title provider identified by the loan originator. If the consumer chooses a provider not identified on any written list provided by the loan originator, then tolerances do not apply.

A value must be listed even if purchasing an owner's title insurance policy is not required by the loan originator, or the seller typically pays for the insurance. Unless a consumer has already indicated a desire for enhanced coverage of the owner's policy, only the charge for basic coverage should be disclosed. In the course of the loan transaction, the consumer's desire to choose enhanced converge could be treated as a consumer-requested changed circumstance, resulting in a new GFE. For non-purchase transactions, "NA" may be entered in this field.

Block 6, Required Services That You Can Shop For: Discloses each third party service required by the loan originator that the consumer is permitted to both shop for freely and select from identified and listed service providers, outside of the title services and lender's and owner's title insurance. The proper name of the service provider selected is not required, but the description of the service must be listed. The originator must disclose the estimated price to be paid to the provider of each service on the left side of the column, with the total in the large box on the right. Charges that are part of the sales contract but not required by the loan originator (e.g. house inspection or a homeowner's warranty) are not disclosed on the GFE. This charge is part of the overall 10 percent tolerance if the consumer uses a provider identified by the loan originator. If the consumer chooses a provider not identified, then tolerances do not apply. In cases in which consumers are allowed to select from a list but must only select from the list, the service should be considered a required service and should be listed in Block 3. Additional lines will be added as necessary in the Block.

Most Common:
Inspections (pest,well, etc) Flood/Life of Loan Fee. Tax Service Fee. Survey Fee, HECM Counseling Fee (Reverse)

A tax service fee is included in Block 6 of the GFE if the consumer may shop for the provider.

Block 7, Government Recording Charges: The loan originator must estimate the state and local government recording fees for recording the loan and title documents that will be charged at settlement. This block should not contain transfer taxes, intangibles taxes, or mortgage taxes. The $6.50 charge for Georgia mortgage should be included in Block 7. This charge is always subject to the 10 percent tolerance bucket.

Most Common:
Transfer deeds. Mortgage/DOT.

Block 8, Transfer Taxes: Discloses an estimate of all state and local government tax fees on mortgages and home sales related to the mortgage and transferring title to the property that are expected to be charged at settlement, based upon the proposed loan amount, sales price, and property address. Document stamps, mortgage stamps and excise taxes are disclosed in Block 8 of the GFE as transfer taxes. HUD also has advised that government taxes imposed on the loan amount or sales price are disclosed as transfer taxes, even if designated as document stamps, mortgage stamps, excise taxes, intangible taxes or recordation taxes. This block should not contain recording charges. The estimated amount is subject to the 0 percent tolerance bucket. The amount may not increase unless there are changed circumstances or consumer requested changes that directly impact the transfer taxes.

In some areas the amount of the transfer tax, as a matter of practice, is governed by state or local laws. If the laws are unclear or do not specifically attribute transfer tax to a seller or consumer, then the amount to be disclosed on the GFE is governed by common practice or established experience in the locality of the property. In instances when the state law imposes a transfer tax on the seller, the buyer may pay the tax pursuant to a negotiated agreement. In these cases, the GFE must include the applicable transfer taxes. Conversely, if under law, the buyer must pay transfer taxes but the seller agrees to pay them in the purchase contract, the GFE must still include the transfer taxes. Caution should be used whenever transfer taxes are chosen to be excluded from the block.

Most Common:
City/County Tax/ Stamps. State Tax/ Stamps. Intangible Tax. Residential Mortgage Loan Fee, etc.

Block 9, Initial Deposit For Your Escrow Account: For loans that will have an escrow account, the loan originator must estimate the amount required for the consumer that will be placed into a reserve or escrow account at settlement. This will establish the beginning balance of the escrow account. Lenders must use “aggregate accounting” when calculating this deposit. This account will be applied to recurring charges for property taxes, homeowner’s and additional insurance, mortgage insurance, and other periodic charges. If there are no escrows, “0” or “N/A” should be entered in the fee column.

The loan originator must indicate through check boxes if the reserve or escrow account will cover future payments for all tax, all hazard insurance, and other obligations that the loan originator requires to be paid as they fall due. The "Includes all property taxes" box should be checked if the initial escrow deposit includes payments for all the property taxes. The "Includes all insurance" box should be checked if the initial escrow deposit includes payments for all the insurance. The "Other" box should be checked if it includes some, but not all, of these fees. This fee is not subject to any tolerance restriction.

Most Common:
Hazard Ins. Reserves, Mtg. Insurance Reserves, School Taxes, Tax Reserves, Flood Ins. Reserves.

Block 10, Daily Interest Charges:

Discloses the "odd days interest," or the total amount that will be due at settlement for the daily interest on the loan from the date of settlement until the first day of the first period covered by scheduled mortgage payments. The loan originator must also indicate how this total amount is calculated by providing the amount of the interest charges per day and the number of days used in the calculation (based on a stated projected closing date which will also be displayed).

If the interest rate is locked after the GFE is issued, then a revised GFE must be issued with this block recalculated to conform to the new locked rate. The date of closing used to make this calculation is the last day of the interest rate lock period. When a loan originator will credit the per diem interest to the consumer (because of the full loan payment will be due on the first of the month following the closing), a negative number may be entered. This fee is not subject to any tolerance restriction.

Block 11, Homeowner's Insurance: The loan originator must estimate the total amount of the premiums for any hazard insurance policy and similar insurance, like earthquake or flood, which must be purchased at or before settlement to meet the loan's requirements. Each line is required to list the type of insurance and the total premium for one year. Any insurance that will be included as part of the escrow account and is in the amount of the initial escrow deposit in Block 9 should not be in this block. The amount in this block is not adjusted because insurance is purchased either outside of closing or the renewal period is less than one year. Lines may be added as necessary. State laws may require the loan originator to permit the consumer to choose the insurance agent and company, subject to the lender's approval. This insurance will still be disclosed in Block 11, even if the loan originator has provided an approved list of possible providers. This fee is not subject to any tolerance restriction.

For refinance or second loans in which the consumer already has insurance in place, the Block 11 notation may be listed as "$0." This will reflect that the loan originator is accepting an existing policy and is not requiring the purchase of additional insurance in connection with the settlement of the loan. It is not required that the GFE show the cost of existing insurance.

Block B, Your Charge For All Other Settlement Services: The loan originator must add the numbers in Blocks 3 through 11 and display the subtotal in the column at the right.

Block A+B, Total Estimated Settlement Charges: The loan originator must add the subtotals in the right-hand column of Blocks A and B and enter this total in the column.

Understanding Which Charges can Change at Settlement

The last page of the GFE begins with a set of instructions on reading and comparing the cost disclosure contents on pages 1 and 2. This section also explains the tolerances and how they work to the consumer, by detailing which categories can increase at closing, by how much, and which charges cannot increase at all. This section requires no unique loan originator input.

Tradeoff Table

The "Trade-off" table on the last page of the GFE permits the consumer to compare various options for buying up or buying down the interest rate. The loan originator must complete the first, left-most column with the terms offered on page 1 of the GFE. The loan originator may, but is not required to, complete the center and right columns on the table.

To show the consumer that paying higher settlement charges can lower the interest rate, the new, lower interest rate and higher settlement charges in the "Same loan with Lower interest rate" column should be filled. The discount point (as a percentage) that the loan originator charges the consumer to buy down the interest rate is displayed in the "Same loan with a lower interest Rate" column. Typically, a higher interest rate will lower the settlement costs, and higher settlement costs will lower the interest rate.

Shopping Cart

The "Shopping Chart" table on the last page of the GFE permits the consumer to compare loan terms and fees offered by various loan originators. The loan originator is not required to complete any information for this table.

If your loan is sold in the Future

The last section on the last page will alert the consumer that the loan may sold. This section requires no loan originator action.