

# RESPA / HUD-1

## Changes Effective January 1, 2010

### Principles of RESPA Reform

- Improve and standardize the Good Faith Estimate (GFE) making it easier for borrowers to understand and use for comparison shopping among settlement service providers and loan originators.
- Provide more accurate estimates of the cost of settlement services shown on the GFE.
- Facilitate comparison of the GFE and HUD-1 Settlement Statements.

### Major Changes to the GFE

- Key loan terms and costs are clearly stated.
- Improve the disclosure of Yield Spread Premiums (YSPs) to help borrowers understand how YSPs can affect borrower's settlement charges.
- Established fixed fees that cannot change at closing. Set tolerances for items that may not increase more than 10% from that shown on GFE.

### Major HUD-1 Changes

- **Accurate fee disclosure is crucial due to the new RESPA / HUD-1 regulations.**
- A new 3rd page was added to the HUD-1 highlighting key loan terms and comparing actual charges to the charges listed on the GFE.
- The teeth behind the new disclosures are the Fee Tolerance provisions imposed on lenders. There are 3 categories of fees that permit a limited variance from the time of disclosure on the GFE to the loan closing. The 3 categories and the permitted tolerances are:
  - **Zero Tolerance Permitted: lender origination charges, points and transfer taxes**
  - **10% Tolerance Permitted: Title and closing services and lender required services (i.e. appraisal) if the lender recommends the provider and recording charges**
  - **Fees that are Permitted to Change: fees for any service provider that the customer selects themselves, daily interest on loan, homeowners insurance**
- If the lender has charged more than a fixed fee or exceeded a fee tolerance, the lender is required to reimburse the borrower at closing or no later than 30-days after the closing.

Please refer to the HUD website which contains a 51 page FAQ memo regarding the complete details of the RESPA reform changes. [http://www.hud.gov/offices/hsg/ramh/res/respa\\_hm.cfm](http://www.hud.gov/offices/hsg/ramh/res/respa_hm.cfm)

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