



Fact Sheet on HUD's Final RESPA Rule

- For the first time ever, HUD will require mortgage lenders and brokers to provide borrowers with an easy-to-read standard *Good Faith Estimate* (GFE) that will clearly answer the key questions they have when applying for a mortgage including:
 - What's the term of the loan?
 - Is the interest rate fixed or can it change?
 - Is there a pre-payment penalty should the borrower choose to refinance at a later date?
 - Is there a balloon payment?
 - What are total closing costs?
- HUD estimates that by improving upfront disclosures on the GFE, and limiting the amount estimated charges can change, consumers will save nearly \$700 in total closing costs.
- Based on substantial public comment, HUD withdrew a proposed requirement that closing agents read and provide a 'closing script.' Instead, to borrowers in favor of a new page on the HUD-1 Settlement Statement that allows consumers to easily compare their final closing costs and loan terms with those listed on the GFE.
- HUD's new *Good Faith Estimate* has been reduced from four to three pages, including an instructional page to help borrowers better understand their loan offer. In addition, the GFE will consolidate closing costs into major categories to prevent junk fees and display total estimated settlement charges prominently on the first page so the consumer can easily compare loan offers. HUD will specify the closing costs that can and cannot change at settlement. If a fee changes, HUD will limit the amount it can change.
- To help borrowers compare their *Good Faith Estimate* with their HUD-1 Settlement Statement, each designated line on the final HUD-1 will now include a reference to the relevant line from the GFE. Borrowers will now be able to easily compare their estimated and actual costs in the same manner many commenters suggested.
- HUD will require lender payments to mortgage brokers (often called Yield Spread Premiums) to be disclosed in a more meaningful way. These payments are directly dependent on the interest rates that consumers agree to. To ensure that HUD's new requirement will not create a consumer bias against brokers, the Department did rigorous consumer testing and found the new *Good Faith Estimate* helped consumers to select the lowest cost loan nine-out-of-10 times, regardless of whether the loan was originated by a lender or a broker.
- Loan originators will be required to provide borrowers their *Good Faith Estimate* three days after the loan originator's receipt of all necessary information. To facilitate shopping, loan originators could not require verification of GFE information (tax returns etc.) until after the applicant makes the decision to proceed.
- HUD will allow lenders and settlement service providers to correct potential violations of RESPA's new disclosure and tolerance requirements. Lenders and settlement service providers will now have 30 days from the date of closing to correct errors or violations and repay consumers any overcharges.
- The new, standardized GFE and revised HUD-1 will not be required until January 1, 2010.