



New GFE or RESPA Questions? Land Title Can Help

RESPA mandates use of new GFE and HUD-1 by January 1, 2010

The goal of the current reforms taking place in the mortgage industry is a more informed consumer and, ultimately, better home financing decisions by homeowners.

Beginning January 1, 2010, all lenders will be required to use the new Good Faith Estimate (GFE) form, and the new HUD-1 Settlement Statement must be used in conjunction with the new GFE. Quoted costs in the GFE are subject to “tolerances,” which are defined as the maximum amount by which the charge for a category or categories of settlements may exceed the amount of the estimate on the GFE. (For more information about actual changes to the HUD-1, the GFE, and tolerances, see the October 2009 Technical Bulletin.)

While there has been some concern among our Realtor clients that use of the new GFE will delay closings, this should not be the case. Realtors will still do business as usual, taking care to provide the borrower with additional information upfront that will allow consumers to shop for the best loan and feel they have made the best borrowing decision.

A few proactive steps at the beginning of the transaction can go a long way toward avoiding closing delays. For example, Realtors can encourage clients to lock interest rates early rather than gamble on a small dip in interest rates. Realtors can also assist their clients in negotiating the final purchase price up front rather than haggling about price later. (See Tip of the Month at the end of this Technical Bulletin).

Land Title's Proactive Processes

Land Title has been working closely with industry experts at NAR, CAR, CMLA,

and HUD to ensure we have accurate, up-to-date information and answers for our clients.

Additionally, we've invested in over 1,500 hours of training for our staff and updated our processes and systems to help our clients meet the new requirements accurately and efficiently. Our new forms are ready to go when you are, whether you start using them now or when they become mandatory January 1, 2010.

Your closing team will inform you immediately when a change in circumstances causes our fees to change.

- Land Title immediately identifies the new lender through the selling agent.
- Land Title actively communicates with the lender by:
 - Contacting the lender within 24 hours of receipt of the pre-qualification letter or lender contact information.
 - Sending out a preliminary HUD-1 within 48 hours of the issuance of the commitment and receipt of the lender's contact information.
 - Immediately notifying the lender of any title or settlement fee changes.
- Land Title calls the listing agent 2 weeks before the scheduled closing to confirm the sales price.

New GFE Online Rate Calculator

A lender's ability to provide an accurate GFE is more important than ever. The more accurate the initial GFE, the less likely the need for revisions. Land Title's new online GFE Calculator provides instant, detailed quotes designed to help you accurately complete the new GFE.

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Answer a few questions and our GFE Rate Calculator will instantly provide a reliable quote for blocks 4 (lender title), 5 (owner's policy), 7 (recordings), and 8 (transfer taxes). This unique tool will be available for Land Title clients in early December at www.LTGC.com.

Impact on Closing Date

In the event there is an increase to a charge on the HUD-1 compared to what was originally quoted on the GFE, there is a possibility the closing may be delayed.

If the change requires a new GFE, it must be provided to the borrower within 3 business days of the day the lender was notified of the changed circumstance. (If the change increases the APR more than .125%, the borrower must receive a revised Truth-In-Lending (TIL) disclosure at least 3 days prior to closing. The TIL disclosure is considered "received" 3 business days after mailing.)

This is why it is imperative for Realtors and consumers to be in constant contact with their title company and lender.

The goal of these processes is to allow the borrower time to review the changes in fees and have time to feel comfortable with their loan decisions.

Frequently Asked Questions

Q: If there are two loans, do there need to be two GFEs and two HUDs?

A: Yes.

Q: What fees are included in "Our Origination Fee"?

A: All costs for originating the loan are included: processing, underwriting, administrative, document prep, wire fees, etc.

Q: What fees should be included on the GFE?

A: All fees typically paid by the borrower are included, regardless of whether the fee will be paid by the seller, lender, or Realtor.

Q: When does the loan originator have to provide the borrower with a written list of identified providers?

A: The list must be provided at the time the GFE is issued.

Q: What fees are included in Title Services?

A: Title Services includes the lender's title policy, endorsements, tax certificate, and all closing and delivery fees paid by the borrower.

Q: Why is the Owner's Title Policy disclosed to the borrower on the GFE?

A: The form is used nationally, and in many states the borrower/buyer pays for that policy. In Colorado, the borrower will be charged for the Owner's Policy but the charge will be credited back and paid by the seller.

Q: Who is responsible for curing a tolerance violation?

A: The lender is responsible for curing any violation within 30 days.

Tip of the Month: Purchase Price

One item that may delay a closing is a late change in purchase price, because one of the "zero tolerance" blocks in the new GFE is the Transfer Tax (block 8).

The state transfer tax = the purchase price x .001, so a change in the purchase price as small as \$100 will result in a tolerance violation/discrepancy as small as one cent.

A last-minute change in purchase price may force the lender to choose between re-issuing the GFE or closing with a tolerance violation and refunding a nominal amount. This could cause a delay in closing.

Please advise your buyers and sellers that these seemingly small changes in purchase price may have an impact on the success of the transaction.

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