Financing Homeownership

U.S. Department of Labor Women’s Bureau
WISE UP Program
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• Federal Resources and Guidance
  o www.hud.gov
    ▪ Buying a Home
    ▪ Mortgage Calculators-
      • Ginnie Mae- Your Path to Homeownership
    ▪ HUD Approved Housing Counselors
    • FHA Loans

• Real Estate Settlement Procedures Act (RESPA)
  o www.hud.gov/respa
    ▪ Overview of RESPA
    ▪ RESPA required Disclosures
    ▪ The Good Faith Estimate
      • The Basics
      • Using the GFE to shop for mortgage loans
    ▪ The Special Information Booklet
    ▪ The HUD-1
    ▪ Escrow Notices
    ▪ Qualified Written Requests
    ▪ Frequently Asked Questions About RESPA
Buying a Home

The homebuying process can seem complicated, but if you take things step-by-step, you will soon be holding the keys to your own home!

Nine steps to buying a home

1. Figure out how much you can afford
2. Know your rights
3. Shop for a loan
4. Learn about homebuying programs
5. Shop for a home
6. Make an offer
7. Get a home inspection
8. Shop for homeowners insurance
9. Sign papers

Step 1: Figure out how much you can afford

What you can afford depends on your income, credit rating, current monthly expenses, downpayment and the interest rate. The calculators below can help, but it is best to visit a lender to find out for sure.

- How much home can you afford?
- Buying vs. Renting
- Home Economics

Need help with your downpayment and/or closing costs?

- Homebuying programs in your state

A housing counselor can help you figure out how to manage and pay off your debt, and start saving for that downpayment!

- Find a housing counselor near you

Step 2: Know your rights

- Fair Housing: Equal Opportunity for All - brochure
- Real Estate Settlement Procedures Act (RESPA)
- Borrower's rights

Counseling and Education

Housing counseling agencies can give you advice about buying a home.

- Find a housing counselor
- Common questions
- Homeownership videos

More from HUD

- Mortgage glossary
- FHA mortgage limits
- HUD approved lenders
- HUD approved condos
- Healthy homes
- Environmental maps
- Energy info
- About appraisals
- Have questions about FHA?
- FHA questions and answers

Links

- Rural housing loan programs
- Loan programs for veterans
- Freddie Mac
- Fannie Mae
- US Postal Service Mover's Guide
Predatory lending

**Step 3: Shop for a loan**

Save money by doing your homework. Talk to several lenders, compare costs and interest rates, negotiate to get a better deal. Consider getting pre-approved for a loan.

- Looking for the best mortgage: shop, compare, negotiate - brochure
- Let FHA help you
- Why Ask for an FHA Loan?
- Learn about interest only loans
- Avoid Predatory Lenders

**Step 4: Learn about homebuying programs**

- Homebuying programs in your state

FHA loan programs offer lower downpayments and are a good option for first-time homebuyers.

- Let FHA help you
- **HUD's special homebuying programs**
  - Good Neighbor Next Door (formerly known as Teacher/Officer/Firefighter Next Door)
  - Hurricane Evacuees discounted sales
  - Homeownership for public housing residents
  - Indian Home Loan Guarantee Program (Section 184)

**Step 5: Shop for a home**

- **Choose a real estate agent**
- **Wish list** - what features do you want?
- Home-shopping checklist - take this list with you when comparing homes
- Homes for sale (including HUD homes)
- "Fixer-uppers" - home purchase and repair programs
- Manufactured (mobile) homes
- Build a home

If you choose a home in a neighborhood with a Home Owners Association (HOA), be sure to request a copy of the HOA packet, so you can review before closing.

**Step 6: Make an offer**

Discuss the process with your real estate agent. If the seller counters your offer, you may need to negotiate until you both agree to the terms of the sale.

- Making an offer

**Step 7: Get a home inspection**

Make your offer contingent on a home inspection. An inspection will tell you about the condition of the home, and can help you avoid buying a home that needs
major repairs.

- For Your Protection Get a Home Inspection
- 10 Questions to ask a home inspector

**Step 8: Shop for homeowners insurance**

Lenders require that you have homeowners insurance. Be sure to shop around.

- Homeowners insurance
- 12 ways to lower your homeowners insurance costs

**Step 9: Sign papers**

You're finally ready to go to "settlement" or "closing." Be sure to read everything before you sign!

- Settlement Costs and Helpful Information

Content current as of 26 March 2009

**U.S. Department of Housing and Urban Development**

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 Find the address of a HUD office near you
YOUR PATH TO HOMEOWNERSHIP

How Much Home Can You Afford?

Providing the information below will allow you to calculate how much you can afford to spend on a home. However, many additional factors play a part in the loan qualification process.

Note: *Indicates information is required.

Income Information

Gross Income*: $40,000
(use worksheet) Yearly

Include:
- Salary
- Tips
- Bonuses & Commission

Monthly Debt Information

Minimum Credit Card Payment*: $150.00
Car Payment*: $250.00
Other Monthly Obligations*: $0

Get Estimate

YOUR PATH TO HOMEOWNERSHIP

General Estimate

These figures were calculated using national averages and assuming the borrower is married with two dependents. The derived figures are only estimates.

<table>
<thead>
<tr>
<th></th>
<th>Loan A: FHA Regular</th>
<th>Loan B: VA Regular</th>
<th>Loan C: Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Sale Price</td>
<td>$124,046</td>
<td>$127,583</td>
<td>$119,749</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>$123,032</td>
<td>$130,199</td>
<td>$101,786</td>
</tr>
<tr>
<td>Loan Type</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td>Loan Rate/Term</td>
<td>6.0% 30 yr</td>
<td>6.0% 30 yr</td>
<td>6.25% 30 yr</td>
</tr>
<tr>
<td>Monthly Mortgage Payment</td>
<td>$968</td>
<td>$967</td>
<td>$867</td>
</tr>
<tr>
<td>Other Monthly Housing Costs</td>
<td>$274</td>
<td>$282</td>
<td>$264</td>
</tr>
<tr>
<td>Total Monthly Housing Cost</td>
<td>$1,242</td>
<td>$1,248</td>
<td>$1,131</td>
</tr>
<tr>
<td>Remaining Monthly Income</td>
<td>$1,437</td>
<td>$1,430</td>
<td>$1,547</td>
</tr>
<tr>
<td>Downpayment</td>
<td>$3,721</td>
<td>$0</td>
<td>$17,962</td>
</tr>
<tr>
<td>Closing Costs</td>
<td>$1,230</td>
<td>$5,169</td>
<td>$4,479</td>
</tr>
<tr>
<td>Total Cash Required at Closing</td>
<td>$4,952</td>
<td>$5,169</td>
<td>$22,442</td>
</tr>
</tbody>
</table>

To obtain a more detailed estimate, select "Detailed Estimate".

The information provided is only an estimate. To find out the amount for which you may qualify and about specific details on loan programs available to you, contact a lender serving your area. For your privacy the information you enter on these screens is deleted when you leave this site.

http://www.ginniemae.gov/2x_prequal/intro_results.asp

5/27/2009
If the Loan Amount shown is greater than the Sale Price, it may be due to the financing of certain closing costs included in the Loan Amount.
Find a Housing Counselor

Want advice on buying a home, renting, default, foreclosure, credit issues or reverse mortgages? HUD sponsors housing counseling agencies throughout the country to provide free or low cost advice.

Search online for a counseling agency near you, or call HUD’s interactive voice response system at: (800) 569-4287.

If you are facing foreclosure, you need to act now!

A Home Equity Conversion Mortgage (HECM) is a good option for some seniors. A local HECM housing counselor is available to counsel you about your options and what to be wary of. Some HECM counselors serve nationwide.

Content current as of 17 December 2008

U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410
Telephone: (202) 798-1112 Find the address of a HUD office near you
Why Ask For An FHA Loan?

There are lots of reasons to ask your lender for an FHA loan instead of taking a conventional or an expensive and risky sub-prime mortgage loan. Why not take advantage of the many benefits and protections that only come with FHA:

**Easier to Qualify** - Because FHA insures your mortgage, lenders are more willing to give loans with lower qualifying requirements so its easier for you to qualify.

**Less than Perfect Credit** - Even if you have had credit problems, such as bankruptcy, its easier for you to qualify for an FHA loan than a conventional loan.

**Low Downpayment** - We have a low 3% downpayment, and that money can come from a family member, employer or charitable organization. Other loans don't allow this.

**Costs Less** - Many times, FHA loans have competitive interest rates because the loans are insured by the Federal Government. Always compare an FHA loan v loan types.

**Help You Keep Your Home** - The FHA has been around since 1934 a continue to be here to protect you when the others walk away. Should you encounter hard-times after buying your home, FHA has many options to avoid foreclosure.

There is more to buying your home then the monthly house payment. Ask for an FHA loan that will help you buy your house and keep it too. Your lender you want an FHA loan for all the reasons above- FHA is a wise cl
RESA - Real Estate Settlement Procedures Act

Highlights

For the first time in more than 30 years, the U.S. Department of Housing and Urban Development has issued long-anticipated mortgage reforms that will help consumers to shop for the lowest cost mortgage and avoid costly and potentially harmful loan offers. HUD will require, for the first time ever, that lenders and mortgage brokers provide consumers with a standard Good Faith Estimate (GFE) that clearly discloses key loan terms and closing costs. HUD estimates its new regulation will save consumers nearly $700 at the closing table.

- RESPA Final Rule
- Withdrawal of Revised Definition of "Required Use"
- Good Faith Estimate
- HUD-1
- HUD1-A
- Regulatory Impact Analysis

Consumers

RESPA is about closing costs and settlement procedures. RESPA requires that consumers receive disclosures at various times in the transaction and outlaws kickbacks that increase the cost of settlement services. RESPA is a HUD consumer protection statute designed to help homebuyers be better shoppers in the home buying process, and is enforced by HUD.

- More about RESPA
- FAQ's for Homebuyers
- FAQ's about Escrow Accounts
- Know Your Borrower's Rights
- Your Rights and the Responsibilities of the Mortgage Servicer
- Sample Complaint to Lender
- Buying Your Home: Settlement Costs
- Property Tax Alert
- Private Mortgage Insurance (PMI) Act Information

Warning: Foreclosure Scams

- Foreclosure Rescue Scams: Another Potential Stress for Homeowners in Distress
- Mortgage Fraud Information from the FBI
- Consumer Tips for Avoiding Foreclosure Rescue Scams

Foreclosure Avoidance and Mortgage Assistance

- Contact a HUD Approved Housing Counselor in Your Area
- Hope for Homeowners: Foreclosure Avoidance
- Guide to Avoiding Foreclosure
- Assistance Navigating Financial Challenges Associated with Your Mortgage
- Explore Workout Solutions with Your Lender
State and Local Consumer Agencies
Other Federal Resources

Industry
- Statute
- Final Rules & Regulations
- Proposed Rules
- Statements of Policy
- Program Guidance
- Federal Register Notices
- Public Guidance Documents
- FAQ's for Industry
- Settlement Agreements
- Joint Report to Congress
- Legal Proceedings

Comments and Questions

U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410
Telephone: (202) 708-1112  Find the address of a HUD office near you
Part IV

Department of Housing and Urban Development

24 CFR Parts 203 and 3500
Real Estate Settlement Procedures Act (RESPA): Rule To Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs; Final Rule
### Good Faith Estimate (GFE)

**Name of Originator**

**Originator Address**

**Originator Phone Number**

**Originator Email**

**Borrower**

**Property Address**

**Date of GFE**

### 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 on settlement charges, your Truth-in-Lending Disclosures, and other consumer information at www hud gov/resps. 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.

### Summary of your loan

<table>
<thead>
<tr>
<th>Your initial loan amount is</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your loan term is</td>
<td>years</td>
</tr>
<tr>
<td>Your initial interest rate is</td>
<td>%</td>
</tr>
<tr>
<td>Your initial monthly amount owed for principal, interest, and any mortgage insurance is</td>
<td>$ per month</td>
</tr>
<tr>
<td>Can your interest rate rise?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Even if you make payments on time, can your loan balance rise?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Does your loan have a prepayment penalty?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Does your loan have a balloon payment?</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>

### Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of $ ___.

Do we require you to have an escrow account for your loan?

- [ ] No; you do not have an escrow account.
- [ ] Yes; you have an escrow account. You must pay these charges directly when due.

### 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)
**Understanding your estimated settlement charges**

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
   - [ ] The credit or charge for the interest rate of [ ] % is included in “Our origination charge.” (See Item 1 above.)
   - [ ] You receive a credit of $ [ ] for this interest rate of [ ] %.
   - This credit reduces your settlement charges.
   - [ ] 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 | $ |

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.

<table>
<thead>
<tr>
<th>Service</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Service</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 [ ] all property taxes, [ ] all insurance, and [ ] other

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>

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.

<table>
<thead>
<tr>
<th>Policy</th>
<th>Charge</th>
</tr>
</thead>
</table>

| B | Your Charges for All Other Settlement Services | $ |
| A + B | Total Estimated Settlement Charges | $ |

Good Faith Estimate (HUD-GFE) 2
### Instructions

#### Understanding which charges can change at settlement

<table>
<thead>
<tr>
<th>Charges that cannot increase at settlement</th>
<th>Charges that can change at settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Origination charge</td>
<td>- Required services we select</td>
</tr>
<tr>
<td>- Your credit or charge payment for the specific interest rate chosen (after you lock in your interest rate)</td>
<td>- Title services and lender's title insurance (if we select them or you use companies we identify)</td>
</tr>
<tr>
<td>- Your adjusted origination charges (after you lock in your interest rate)</td>
<td>- Owner's title insurance (if you use companies we identify)</td>
</tr>
<tr>
<td>- Transfer taxes</td>
<td>- Required services that you can shop for (if you do not use companies we identify)</td>
</tr>
</tbody>
</table>

#### Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:
- If you want to choose this same loan with lower settlement charges, then you will have a higher interest rate.
- If you want to choose this same loan with a lower interest rate, then you will have higher settlement charges.

If you would like to choose an available option, you must ask us for a new GFE.

Loan origination fees have the option to complete this table. Please ask for additional information if the table is not completed.

<table>
<thead>
<tr>
<th>The loan in this GFE</th>
<th>The same loan with lower settlement charges</th>
<th>The same loan with a lower interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your initial loan amount</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Your initial interest rate</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Your initial monthly amount owed</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Change in the monthly amount owed from this GFE</td>
<td>No change</td>
<td>You will pay $ more every month</td>
</tr>
<tr>
<td>Change in the amount you will pay at settlement with this interest rate</td>
<td>No change</td>
<td>Your settlement charges will be reduced by $</td>
</tr>
<tr>
<td>How much your total estimated settlement charges will be</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

*For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

#### Using the shopping chart

Use this chart to compare GFEs from different loan origins. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

<table>
<thead>
<tr>
<th>Loan originator name</th>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Loan 3</th>
<th>Loan 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial loan amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan term</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial interest rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial monthly amount owed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate lock period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can interest rate rise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can loan balance rise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can monthly amount owed rise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayment penalty?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balloon payment?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Estimated Settlement Charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.
### J. Summary of Borrower's Transaction

<table>
<thead>
<tr>
<th>Column</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>100. Gross Amount Due from Borrower</td>
<td></td>
</tr>
<tr>
<td>101. Contract sales price</td>
<td></td>
</tr>
<tr>
<td>102. Real estate taxes</td>
<td></td>
</tr>
<tr>
<td>103. Settlement charges to borrower</td>
<td></td>
</tr>
<tr>
<td>104. Adjustments for items paid by seller in advance</td>
<td></td>
</tr>
<tr>
<td>105. City/county taxes</td>
<td></td>
</tr>
<tr>
<td>106. County taxes</td>
<td></td>
</tr>
<tr>
<td>107. Assessments</td>
<td></td>
</tr>
<tr>
<td>108. Other</td>
<td></td>
</tr>
<tr>
<td>109. Total</td>
<td></td>
</tr>
<tr>
<td>110. Total</td>
<td></td>
</tr>
<tr>
<td>111. Total</td>
<td></td>
</tr>
<tr>
<td>112. Total</td>
<td></td>
</tr>
<tr>
<td>120. Gross Amount Due from Borrower</td>
<td></td>
</tr>
<tr>
<td>200. Amounts Paid by or on behalf of Borrower</td>
<td></td>
</tr>
<tr>
<td>201. Deposits or earnest money</td>
<td></td>
</tr>
<tr>
<td>202. Principal amount of notes</td>
<td></td>
</tr>
<tr>
<td>203. Existing liens taken subject to</td>
<td></td>
</tr>
<tr>
<td>204. Adjustments for items unpaid by seller</td>
<td></td>
</tr>
<tr>
<td>205. City/county taxes</td>
<td></td>
</tr>
<tr>
<td>206. County taxes</td>
<td></td>
</tr>
<tr>
<td>207. Assessments</td>
<td></td>
</tr>
<tr>
<td>208. Other</td>
<td></td>
</tr>
<tr>
<td>209. Total</td>
<td></td>
</tr>
<tr>
<td>220. Total Paid by or for Borrower</td>
<td></td>
</tr>
<tr>
<td>300. Cash at settlement from Borrower</td>
<td></td>
</tr>
<tr>
<td>301. Cash from seller</td>
<td></td>
</tr>
<tr>
<td>302. Cash from seller</td>
<td></td>
</tr>
</tbody>
</table>

### K. Summary of Seller's Transaction

<table>
<thead>
<tr>
<th>Column</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>400. Gross Amount Due to Seller</td>
<td></td>
</tr>
<tr>
<td>401. Contract sales price</td>
<td></td>
</tr>
<tr>
<td>402. Real estate taxes</td>
<td></td>
</tr>
<tr>
<td>403. Settlement charges to seller</td>
<td></td>
</tr>
<tr>
<td>404. Adjustments for items paid by seller in advance</td>
<td></td>
</tr>
<tr>
<td>405. City/county taxes</td>
<td></td>
</tr>
<tr>
<td>406. County taxes</td>
<td></td>
</tr>
<tr>
<td>407. Assessments</td>
<td></td>
</tr>
<tr>
<td>408. Other</td>
<td></td>
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<td>420. Gross Amount Due to Seller</td>
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<td>500. Reductions in Amount Due to Seller</td>
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<td>501. Deposits or earnest money</td>
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<td>502. Principal amount of notes</td>
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<td>503. Existing liens taken subject to</td>
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<td>504. Payment of fees and mortgage loan</td>
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<td>505. Payment of past due and mortgage loan</td>
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<td>520. Total Reduction Amount Due Seller</td>
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<td>600. Cash at settlement to from seller</td>
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### Settlement Charges

#### 1. Total Real Estate Broker Fees

- **Line 01:** Broker's fee of $700.00 is as follows:
  - 701: $400.00
  - 702: $300.00

- **Line 03:** Commission paid at Settlement

#### 2. Items Payable in Connection with Loan

- **Line 801:** Original option charge
- **Line 802:** Your credit or charge (points) for the specific interest rate chosen
- **Line 803:** Your adjusted origination charges
- **Line 804:** Appraisal fee(s)
- **Line 805:** Credit report(s)
- **Line 806:** Tax service
- **Line 807:** Flood certification

#### 3. Items Required by Lender to Be Paid in Advance

- **Line 901:** Daily interest charge from to $ per day
- **Line 902:** Mortgage insurance premium for months
- **Line 903:** Homeowner's insurance for years

#### 4. Reserves Deposited with Lender

- **Line 1001:** Initial deposit for your escrow account
- **Line 1002:** Homeowner's insurance
- **Line 1003:** Mortgage insurance
- **Line 1004:** Property taxes
- **Line 1005:** Insurance
- **Line 1006:** Taxes
- **Line 1007:** Aggregate Adjustment

#### 5. Title Charges

- **Line 1101:** Title searches and lender's title insurance
- **Line 1102:** Escrow or closing fee
- **Line 1103:** Owner's title insurance
- **Line 1104:** Lender's title insurance
- **Line 1105:** Lender's title policy limit
- **Line 1106:** Owner's title policy limit
- **Line 1107:** Agent's portion of the total title insurance premium
- **Line 1108:** Underwriter's portion of the total title insurance premium

#### 6. Government Recording and Transfer Charges

- **Line 1201:** Government recording charges
- **Line 1202:** Deed $ Mortgage $ Release $
- **Line 1203:** Transfer taxes
- **Line 1204:** City/County tax/stamps
- **Line 1205:** State tax/stamps

#### 7. Additional Settlement Charges

- **Line 1301:** Required service that you can shop for
- **Line 1302:**
- **Line 1303:**
- **Line 1304:**
- **Line 1305:**

#### 8. Total Settlement Charges (enter on Lines 105, Section 4 and 500, Section 10)
### Comparison of Good Faith Estimate (GFE) and HUD-1 Charges

<table>
<thead>
<tr>
<th>Charges That Cannot Increase</th>
<th>HUD-1 Line Number</th>
<th>Good Faith Estimate</th>
<th>HUD-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Charged origination charge</td>
<td># 001</td>
<td></td>
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<tr>
<td>- Your credit charge (if for specific interest rate reason)</td>
<td># 802</td>
<td></td>
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<tr>
<td>- Your adjusted origination charge</td>
<td># 803</td>
<td></td>
<td></td>
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<tr>
<td>- Transfer taxes</td>
<td># 203</td>
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</table>

### Charges That in Total Cannot Increase More Than 10%

<table>
<thead>
<tr>
<th>Good Faith Estimate</th>
<th>HUD-1</th>
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### Charges That Can Change

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<th>Good Faith Estimate</th>
<th>HUD-1</th>
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### Loan Terms

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<tr>
<th>Good Faith Estimate</th>
<th>HUD-1</th>
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### Increase between GFE and HUD-1 Charges

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<th>Good Faith Estimate</th>
<th>HUD-1</th>
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<tbody>
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### Notes
- Your initial loan amount is $.
- Your loan term is years.
- Your initial interest rate is %.
- Your initial monthly amount owed for principal, interest, and and any mortgage insurance is $ includes:
  - Principal
  - Interest
  - Mortgage Insurance
- Can your interest rate rise?
  - No, it can only go up to %.
  - Yes, it can change between % and %.
  - Yes, it can change again every after %.
- Even if you make payments on time, can your loan balance rise?
  - No, it can only go up to %.
  - Yes, it can change between % and %.
- Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?
  - No, it can only go up to %.
  - Yes, it can change between % and %.

### Total monthly amount owed including escrow account payments

<table>
<thead>
<tr>
<th>Good Faith Estimate</th>
<th>HUD-1</th>
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</table>
Frequently Asked Questions About RESPA

RESPA stands for "Real Estate Settlement Procedures Act." This is the law that says that you should be given certain information when you are purchasing a home. HUD enforces only what is covered under the RESPA law. Here are some questions and answers that will help you to understand the law and your rights.

- Applying for a loan and Before the Settlement
  - About the Good Faith Estimate
  - Escrow Accounts
    - RESPA and Escrow Accounts in General
    - What is covered under RESPA
    - What RESPA does NOT cover and who can help
    - About Escrow Account Cushions
    - Figuring Escrow Accounts
    - Variations in Escrow Accounts and Payments
    - Disbursement Date
    - Dealing with Your Lender or Insurance Company:
      Taxes, Insurance, Force-Placement, Escrow and RESPA

- Consumer Tips: Do's

Applying For A Loan And Before The Settlement

Question: I made an application for a loan, but I did not get a Settlement Costs Booklet or a Good Faith Estimate. What should I do?

Answer: You should contact the lender or mortgage broker and ask for them. The lender or mortgage broker is required by RESPA to send these documents out within three days of receiving the application. The lender is only required to give you a booklet if you are purchasing a home. If the lender denies your application within three days, it is not required to give you these documents.

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About the Good Faith Estimate

Question: Should I expect the Good Faith Estimate to list the exact charges that I will pay at settlement?

Answer: No. The Good Faith Estimate is only an estimate or range of charges. For example, the lender may not know the costs for a settlement agent that you choose, or the exact amount that will be collected for an escrow account for taxes and insurance.
Question: What rights do I have if the charges I must pay at settlement are higher than those listed on the Good Faith Estimate?

Answer: RESPA does not give a consumer the right to sue in this circumstance. The best protection is to let the lender and settlement agent know that you will want to see the HUD-1 Settlement Statement one day in advance. You should question any amount that you do not understand.

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Section 10: Escrow Accounts

RESPA and Escrow Accounts in General

Section 10 of the Real Estate Settlement Procedures Act (RESPA) limits the amount of money a lender may require the borrower to hold in an escrow account for payment of taxes, insurance, etc. RESPA also requires the lender to provide initial and annual escrow account statements. The newest escrow account regulations became effective in October 1997.

What is covered under RESPA

Question: Does RESPA require borrowers to maintain an escrow account?

Answer No. It is the lender’s decision whether the borrower must maintain an escrow account for the purpose of paying taxes and other items. The HUD regulations only limit the maximum amount that a lender can require a borrower to maintain in an account.

What RESPA does NOT cover and who can help

The following questions are frequently asked by consumers about the loan process, but the issues are not covered under RESPA. For more information regarding these issues, contact the agency that administers the governing law.

Question: I applied for a loan at 7 1/2 percent, but when I got to settlement the lender charged me 8 percent. Is this a RESPA violation?

Answer: No. However, the Truth-in Lending Act (TILA) requires that you get a disclosure concerning the interest rate. TILA is administered by the Board of Governors of the Federal Reserve System. (See Consumer Complaint Reference List).

Question: I asked my lender for a copy of the real estate appraisal but the lender has not sent it. Is this covered under RESPA?

Answer: No. Under the Equal Credit Opportunity Act (ECOA) the mortgage broker or lender must tell you how and when you can ask for a copy of your appraisal. ECOA is administered by the Board of Governors of the Federal Reserve System. (See Consumer Complaint Reference List).

Question: My lender says the home I am buying is located in a flood zone and I must purchase flood insurance. What can I do if I don't believe this
information is correct?

Answer: The National Flood Insurance Reform Act of 1994 provides for lenders to purchase flood insurance on behalf of borrowers/owners of properties in a special flood hazard area. It is administered by the Federal Emergency Management Agency (FEMA). If you disagree with the lender about whether the property is located in a special flood hazard area, you may make a request to the FEMA Mapping Assistance Center to determine whether the property is located in such an area. The toll free number for requesting FEMA re-determination is 1-877-336-2627.

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About Escrow Account Cushions

Question: Does RESPA require lenders to maintain a cushion?

Answer: No. The RESPA statute and regulations do not require the lender to maintain a cushion. However, since 1976 the RESPA statute has allowed lenders to maintain a cushion equal to one-sixth of the total amount of items paid out of the account, or approximately two months of escrow payments. If state law or mortgage documents allow for a lesser amount, the lesser amount prevails.

The new accounting method generally requires borrowers to maintain lesser amount in the account than the single-item method predominately used by lenders. However, many lenders have recently increased the escrow account cushion to the maximum allowed by law.

The recent regulations require lenders to reduce the size of the cushion in some accounts. Unfortunately, to avoid customer disapproval, some lenders may be giving their customers the impression that the HUD regulations require them to make this increase. This is a false impression. The lender, not HUD, has chosen to increase the cushion.

Question: Can HUD require lenders to pay interest on escrow accounts?

Answer: No. In 1992 and 1993, legislation was introduced in Congress that would have required lenders to pay interest on escrow account balances, but it never passed. Some states do require interest to be paid on escrow account funds, but many do not.

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Figuring Escrow Accounts

Question: How do I figure how much money the lender is allowed to require in my escrow account?

Answer: HUD cannot figure out your own escrow account cushion and payments. Please use the following steps and example to help you estimate the amount of money you may be required to put into your own escrow account, either a new or existing account, under aggregate accounting:
1. List all the payment amounts for items that will be paid out of your escrow account, and when paid, for the next 12 months (e.g., taxes- $1200 -- $500 paid July 25 and $700 paid December 10; hazard insurance -- $360 paid September 20).

[If you have a payment like flood insurance, which is paid every 3 years, you must project a trial balance over that 3-year period.]

2. Divide this total amount by 12 monthly payments ($1560 divided by 12 = $130).

3. Create a trial running balance for the next 12 months listing all payments to the escrow account and all payments out of the account, when these items are paid.

4. Increase all the monthly balances to bring the lowest point in the account (December -$780) up to 0.

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<td>Jul</td>
<td>130</td>
<td>500</td>
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<td>360</td>
<td>-470</td>
<td>310</td>
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<td>0</td>
<td>-340</td>
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<tr>
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<td>0</td>
<td>-210</td>
<td>570</td>
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<td>260</td>
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<tr>
<td>Mar</td>
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<td>-390</td>
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<td>May</td>
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<td>130</td>
<td>0</td>
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Add any cushion your lender requires to the monthly balances. The cushion may be a maximum of 1/6 of the total escrow charges (1/6 of $1560 = $260).

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<td>360</td>
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In this example, $1040 is the maximum amount the lender should require in the account. The account should fall to the cushion at least once during the year. In this example, it is in December ($260).

New Accounts -- In this example, if you settled May 15, and the first payment was due in July, $1040 would be the maximum amount you should be required to place in an escrow account. If your lender requires less than the maximum cushion, the amount would be less.

Existing Aggregate Accounts -- In this example, during escrow analysis, the lender would compare the required amount of $1040 to the actual balance in your account in June. For example:

If your balance is $1076, there is a surplus of $36. Your lender may choose to apply any surplus less than $50 to future payments, reducing your monthly escrow payment to $127, or may choose to return the surplus to you.

If your balance is $1090, there is a surplus of $50. The lender must return any surplus of $50 or more to you within 30 days of the analysis.

If your balance was $940, there is a shortage of $100. This amount is less than one month's escrow payment and the lender may ask you to pay this amount within 30 day or may spread it out over a year.

If your balance was $800, there is a shortage of $240. The lender must spread the collection over at least 12 months. If the lender spreads the shortage over 12 months, your monthly escrow payment would increase to $150.

If you have a deficiency in your account (where the lender has to use his own funds to pay a bill), you may have to reimburse the lender sooner than over 12 months. If the deficiency is less than one monthly escrow payment, you may have to repay the lender in 30 days. If the deficiency is more than or equal to one monthly escrow payment, the lender may require you to repay the amount over 2-12 months.

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**Variations in Escrow Accounts and Payments**

**Question: My escrow account payments went up, rather than down. Why?**

Answer: There could be a couple of reasons why your servicer is charging more for your escrow account. First, your bills may have gone up and the
account changed to reflect that. Or, the servicer has changed the amount of
cushion to the maximum amount allowed by RESPA. Check your statement
from the servicer. You may also want to check your loan documents to figure
out what is the appropriate cushion. If the mortgage loan documents are
silent on the amount of the cushion or pre-accrual practices, then the RESPA
"two month" limits apply, unless state law provides for a lower amount.

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Disbursement Date

**Question:** What is the disbursement date for paying escrow account
items?

**Answer:** The disbursement date means the date on which the lender actually
pays an escrow item from the escrow account. However, the lender must
pay the items in a timely manner, that is, on or before the deadline to avoid
a penalty. This is required as long as the borrower’s payment is not more
than 30 days overdue. Borrowers should review their annual escrow
statement to make certain the lender did not make late payments and
charge any penalties to the borrower’s account. (See Homeowner Alert)

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Dealing with Your Lender or Insurance Company:
Taxes, Insurance, RESPA and Escrow

**Question:** I got a notice from the county that my lender did not pay
my taxes on time and the county is assessing a penalty. Do I have to
pay this bill?

**Answer:** Send the bill to the lender. The lender should pay the penalty for
failing to pay the taxes on time as long you were current in your mortgage
payments. If the lender refuses, you may wish to follow the guidelines for
filing a complaint.

**Question:** Are lenders required to pay taxes on an annual basis if a
discount is offered to the consumer?

**Answer:** No. The Department published a new rule in the Federal Register in
January 1998. The rule clarifies what a lender should do when a taxing
jurisdiction offers a choice of payment on an installment basis or an annual
basis. If there is a discount to the consumer when disbursing on an annual
basis or there is an additional charge for disbursing on an installment basis,
the lender may disburse on an annual basis. Otherwise, the lender should
disburse tax payments on an installment basis. The borrower and the lender
may mutually agree to another disbursement basis or date. The Department
courages lenders to follow the preference of the borrower.

**Question:** What steps should I take if the lender does not pay my
hazard insurance on time or at all and my insurance is canceled?

**Answer:** Lenders are required by Section 6 to make escrow account
disbursements on time. If a lender fails to do so, a borrower may bring a

private law suit under this Section. Therefore, if you incur any damages due to the lender's negligence, you may wish to consult an attorney.

You should also contact your lender immediately and send a copy of the bill. Some lenders list a special address and/or FAX number for insurance and tax bills. Keep checking with the insurance company to make certain the bill is paid. You may wish to pay the insurance company directly to avoid cancellation of your policy and then seek a refund from your lender. Keep copies of all your correspondence and payments. If you incur any damages due to the lender's negligence, you may wish to consult an attorney.

**Question:** I got a notice that my hazard insurance has been canceled. My lender force-placed hazard insurance with a different company and it costs a lot more. Can a lender do this?

**Answer:** As long as your mortgage payment is not more than 30 days late, Section 6 of RESPA requires the lender to make escrow payments, for taxes, insurance, etc., in a timely manner. You should write to your lender and complain. If your lender does not refund the difference or otherwise resolve your complaint satisfactorily, you may wish to file a complaint with HUD or the Consumer Protection Office of your State Attorney General's Office. You may also wish to consult an attorney.

**Question:** My loan was transferred to a new lender. I made my loan payment on time, but to the old lender. Can I be charged a late fee?

**Answer:** No. For 60 days, neither lender may charge a late fee as long as you make your payment on time to the previous lender or to the new lender. Your lender must send you a notification 15 days before your payment is due to the new lender. Both lenders must provide you with certain information about the loan transfer, including: when the payment is due to the new lender, the new lender's address, toll-free telephone numbers, etc.

**Question:** What steps should I take if I think the lender is requiring too much money in my escrow account?

**Answer:** First, figure out the maximum amount RESPA allows to be required in your escrow account from the example. If you still believe your lender is requiring too much money, you should contact your lender for an explanation.

Section 6 of RESPA provides that borrowers may make a "qualified written request" to the lender concerning the servicing of their loan account. The request should not be included with the monthly mortgage payment. The lender must acknowledge the complaint within 20 business days and must resolve the complaint within 60 business days by correcting the account or giving a statement of the reasons for its position. If you do not get a satisfactory answer from the lender, you may wish to file a complaint with HUD. You should continue to make your mortgage payment during this time.

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**Consumer Tips: Do's**
Do ask lenders what fees they charge, as well as the interest rate and points, when shopping for a loan.

Do ask the builder whether you are required to use a certain provider in order to get a special concession.

Do compare the costs of different settlement service providers before agreeing to use one to whom you were referred.

Do ask to see the HUD-1 Settlement Statement a day before settlement, and compare the charges with those listed on the Good Faith Estimate.

Do question the lender and settlement agent about any charges you do not understand.

Keep making your mortgage payment on time, even if you have sent a complaint to your lender.

Do forward any tax or insurance bills you receive, immediately to your lender. (If the lender is supposed to pay the bill).

Do check your annual escrow account statement for mistakes.

Do make a "qualified written request" when asking your lender for information or making a complaint.

Do read the FAQs about Escrow Accounts carefully before filing an escrow complaint with a banking or government regulator.

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