



RESPA Reform 2008

Summary



**WELLS
FARGO** HOME
MORTGAGE

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Summary of Proposed Rule



- 8 main components of proposed RESPA rule.
- Every settlement service provider will be affected



1. Good Faith Estimate



- Rule revises a one-page GFE into a four-page standardized form.
- Includes a summary of key loan terms.
- Estimates total settlement charges.
- Groups settlement service charges into three main categories and creates tolerances governing change in fees at closing.

2. Disclosure of Yield Spread Premiums



- Requires premiums paid to mortgage brokers by lenders to be disclosed on the GFE as a credit to borrower's origination costs.
- Compares consequences should a borrower wish to lower interest rate or settlement charges paid at closing.



3. HUD-1 Settlement Statement



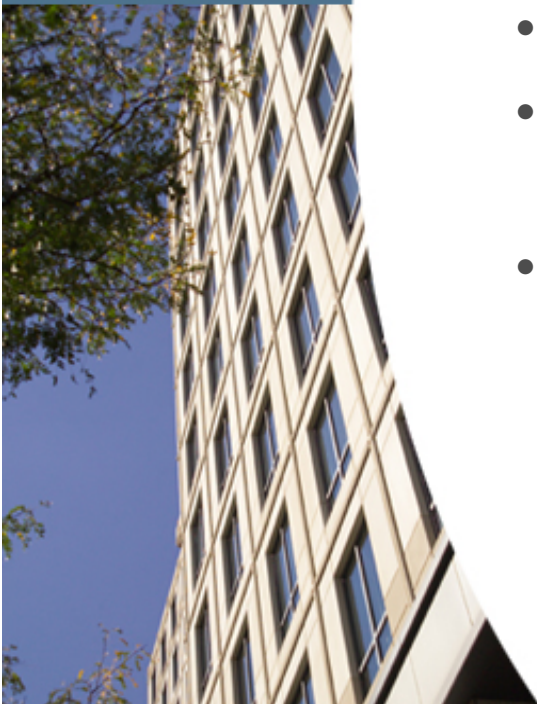
- Modifies HUD-1 to allow consumers to directly compare the settlement charges with the estimates on the GFE.
- Groups previously itemized lender and title insurance charges into a single fee.



4. Closing Script



- Proposed as a new addendum to the HUD-1.
- Settlement agent to read aloud at closing and provide in writing to consumer.
- Requires settlement agent to:
 - Explain specific loan terms
 - Compare settlement service charges on GFE to HUD-1
 - Notify consumer if final settlement service charges exceed applicable tolerances
 - Explain if mortgage documents differ from GFE loan terms.



5. Average Cost Pricing



- Proposed rule will permit lenders and brokers to use average cost pricing for settlement services.
- Average cost pricing may be determined by either:
 - » (i) actual six-month average; or
 - » (ii) tiered pricing approach.



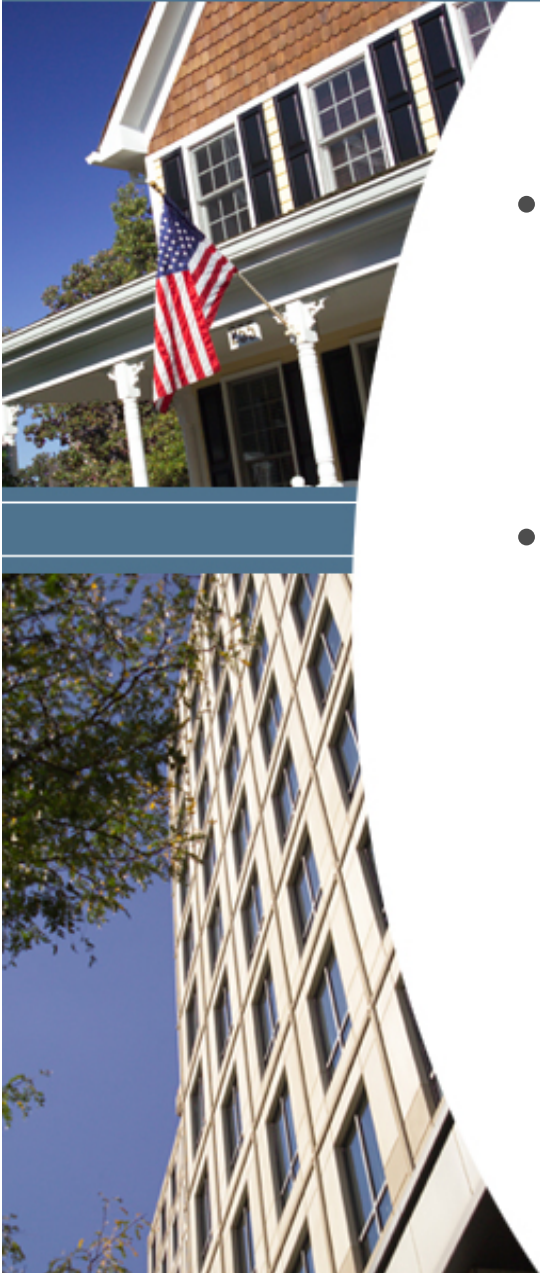
6. Negotiated Discounts



- Modifies definition of “thing of value” to exclude discounts negotiated by settlement service providers from third party vendors.
- The discount must be passed on to the borrower and disclosed on the HUD-1.



7. Required Use



- Modifies definition of “required use” to indicate that both economic incentives and disincentives contingent on a borrower’s failure to use a particular provider constitutes required use.
- If a settlement service provider offers an optional combination of services at a total price lower than the sum of the price of the individual services, then no required use.

8. Miscellaneous Amendments



- Updates mortgage servicing disclosures
- Removes expired provisions of escrow regulations
- Recognizes the applicability of ESIGN





- HUD is determined to get this out before the election.
- The proposal has significant problems and conflicts with other applicable laws.
- All the settlement provider trade groups oppose parts of the proposal (usually for different reasons.)
- Lending Industry recommends that HUD better coordinate with the Fed (TILA and HOEPA) rulemaking.





- Thank You.