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SUMMARY OF PROPOSED RESPA RULE CHANGES

- 1) **Good Faith Estimate** – from one page to four-page standard form. Establishes tolerances for certain categories of fees.
 - a. Zero tolerance – lender/broker fees, YSP, government recording and transfer tax
 - b. 10% tolerance – lender required settlement services (lender selects provider), lender required settlement services (borrower selects lender recommended provider), optional owner’s title insurance (borrower uses lender identified provider)
 - c. No restriction – reserves or escrow, daily interest charges, homeowner’s insurance, lender required settlement services (borrower shops and selects own provider).

**Recording fees and transfer taxes are Zero Tolerance fees.

- 2) **Disclosure of Yield Spread Premiums** – requires disclosure of YSP as credit to borrower’s total origination costs.
- 3) **HUD-1 Settlement Statement** – modifies existing HUD-1 to allow direct comparison of settlement charges with GFE. GFE fees and line numbers referenced on HUD-1.
 - a. Lender’s charges “bundled” and disclosed as single charge (“service charge”) on HUD-1.
 - b. Certain title fees “bundled” and disclosed as single charge (“title services and lender’s title insurance”) on HUD-1. Additional fees may be separately itemized (attorney or escrow fees) if performed by separate third party vendor.
 - c. Requires disclosure of title insurance premium split – agent’s portion and underwriter’s portion of total title premium.
- 4) **Closing Script** – creates addendum to HUD-1 that must be read aloud and provided in writing to consumer at closing. Settlement agent responsible for preparing and reading Closing Script. Consumer must acknowledge Closing Script in writing at closing. At request of borrower, HUD-1 and Closing Script must be available at least 24 hours before closing. Closing Script contains 10 categories:
 - a. Introduction
 - b. Loan Description – loan amount, loan term, loan type (conventional, FHA, VA, *etc.* and fixed rate, ARM, payment option, *etc.*)
 - c. Interest Rate – fixed, ARM, ARM with initial discount, hybrid ARM
 - d. Payment – fixed or ARM, escrow or no escrow
 - e. Late Payment
 - f. Loan Balance – accounts for negative amortization
 - g. Prepayment Penalty
 - h. Balloon Payment
 - i. Closing Costs – comparison chart of certain settlement charges from GFE to HUD-1
 - j. Acknowledgment – comparison completed, whether or not tolerances met, inconsistencies between loan documents and summary of terms on GFE.

**How to handle mail-away closings?

**Increased closing time and expenses. HUD estimates Closing Script will add 45 minutes to closing and increase cost by at least \$36.

**How to address borrower questions regarding Script, GFE or loan documents? Lender is client, not borrower.

**No instruction in rule as to what settlement agent should do when discrepancy in settlement charges, loan terms, or tolerances are exceeded. Settlement agent forced to contact lender for additional instructions.

**Additional liability associated with preparation of Closing Script.

- 5) **Average Cost Pricing** – allows lenders and brokers to use average cost pricing for settlement services provided by third parties.

**Unclear if settlement agents are permitted to use average cost pricing.

- 6) **Negotiated Discounts** – provides that discount in price of third party settlement services is not “thing of value” if borrower is charged no more than discounted price.

- 7) **Required Use** – amends required use definition to include economic *disincentive* for failure to use referred provider. Optional combination of services at discount price is not a required use.