

RESPA Reform FAQs

Good Faith Estimate

- Q. *If a loan originator expects to receive compensation from the lender in the form of Yield Spread how is that disclosed on the new GFE?*
- A. *All broker fees and compensation (YSP), either paid by borrower, seller or lender are totaled together with any lender charges (such as Admin, Underwriting or Doc Prep) and entered in Block 1 on page 2 of the GFE.*
- Q. *If I disclose the YSP in Block 1 on page 2 and then it is disclosed as a credit in Block 2 this is a wash then, right?*
- A. *Correct, the borrower's "Adjusted Origination Charges" in Block A essentially becomes the amount the borrower or seller must pay in cash at settlement.*
- Q. *On page 1 is the "Name of the Originator" the company or loan originator name?*
- A. *The company name must be entered; the loan originator name may also be entered.*
- Q. *Since the borrower cannot shop for the appraisal or credit report company do I still have to list who the fee is paid to?*
- A. *The HUD-1 must reflect all fees and to whom they were paid for all settlement services.*
- Q. *When you say in 3 days do you count the current day?*
- A. *Three days means the third day after the date of application. For example, application taken December 21, 2009, GFE must be delivered no later than December 24, 2009.*
- Q. *Is there a problem with over-disclosing?*
- A. *No, except that you need to remain competitive as the purpose of RESPA is to encourage consumers to shop. Fees may be lower than quoted on the GFE but, subject to the tolerance amounts, may not be higher.*
- Q. *Where would attorney's fee for the borrower be disclosed?*
- A. *Only those fees in connection with the settlement must be disclosed. In states where attorneys conduct the closing the estimated amount is disclosed in Block 4 and you must list at least one attorney on your Settlement Service Provider List.*
- Q. *Where do the Title update and inspection fees get disclosed on the GFE for 203K loans?*

A. *The Title update fee is disclosed in Block 4. The inspection fee, if paid to an inspector, is disclosed in Block 3.*

Q. *Is it true that broker and seller credits won't show up on the GFE?*

A. *Yes, that is correct. All fees in connection with the transaction must be disclosed as a charge to the borrower on the GFE. The HUD-1 will disclose credits from the lender, broker and/or seller.*

Q. *Is it possible to issue the old GFE or call it something other than GFE on a TBD property and not be held liable for those estimates?*

A. *Yes, you may use a worksheet on a TBD property as long as it does not resemble the old or new GFE.*

Q. *Is the 10 Days on #2 business days or calendar days?*

A. *The business day rule applies for the 10-day rule.*

Q: *So brokers will not be able to get YSP at all anymore?*

A: *If a broker wishes to receive YSP it must be included in Block 1 under "Origination Charge".*

Q: *After we take an application from a borrower, a GFE is required to be provided within 3 days. The question "what constitutes an application" was asked by more than one person in a State (MD) workshop I recently attended. From their standpoint, we've technically taken an application when we ask those few questions over the phone, simply to pre-qualify someone. It does not even mean that we've pulled a credit report.*

They strongly suggested that as a company, we have a written policy to define when an application has been formerly taken. They suggested a WRITTEN policy stating that "an application is not complete until we have a signed 1003 by the proposed borrower". This will help us to alleviate unnecessary paperwork, and stay in compliance with the new RESPA changes.

HUD doesn't specifically state that we can do this, but they don't say you can't do this. They consider an application to be all the standard info gathered, and "any other information deemed necessary by the loan originator". Would you deem that okay?

A: *You have two issues here: 1) the state definition of an application and 2) the federal definition of an application. You must adhere to both regulations, which by definition of the new RESPA rules, HUD has defined an application as having the 6 items: name, address, income, estimated property value, social security number and loan amount. Yes, you should have a written company policy to define an application, however, for federal*

purposes, if you have the 6 items from the borrower which HUD has defined as an application then you must issue a GFE within 3 days, whether you have a signature on your application or not.

- Q. I complete an application for purchase of a property prior to a contract (Connecticut is a contract state – without a signed contract, there is no deal). Known loan amount, known YSP, known compensation in dollars based on loan amount and YSP. GFE is issued. Buyer/Applicant decides on another property. Is a new GFE issued at that point?*
- A. In this situation you have an application withdrawn on property 1 and a new application for property 2. New application, new GFE and Truth-In-Lending Statement. TILA time frames start over.*
- Q. If we do a GFE to prequalify someone for a purchase, are we bound by it since we don't have a property address yet?*
- A. Yes, if you issue a GFE without a property address you are bound to the terms.*
- Q. If a customer chooses to pay discount points to buy the rate down, how do we show YSP?*
- A. Originators will disclose the amount of compensation they wish to receive together with the lender fees in Box 1 on page 2 of the GFE. The loan will be priced with a credit (YSP) or discount, which will be disclosed in Box 2 on page 2 of the GFE. A loan would never have both a YSP and a loan discount.*
- Q: Are they considering a credit pull as an application taken? In other words, if I pull credit do I have to produce a GFE?*
- A: No, HUD has defined an application as having the 6 items: name, address, income, estimated property value, social security number and loan amount.*
- Q: As a broker...on page 2 GFE, if block 1 "Our origination charge" is \$4,000 and block 2 has \$2000 credit (for YSP) and section A "Your Adjusted Origination Charges" therefore shows \$2000, then after closing broker still gets paid \$4000, correct?*
- A: The \$4,000 of the "Your Adjusted Origination Charges" covers your origination fee, processing fee, underwriting fee, admin fee, and doc prep. Any fee that is being paid to the broker or lender for the cost of doing that loan must be included in the origination charge in block 1. Once everyone is paid, whatever is left over goes to the broker.*
- Q: Automated systems pull these costs into DU or LP, it will appear customers do not have enough to close if there is seller assist.*
- A: Yes, there are many areas that the systems we are using will have to be updated to meet the new requirements. You might want to try telling the system who is paying the costs and see if that works.*

Q: Do escrow fees go in Block 4 in escrow states?

A: If you are referring to Settlement Charges, then yes.

Q: Can your Origination Fee INCREASE when they float a lock?.

A: No, your Origination Fee cannot increase with the floating of a lock. Your origination charge you include in Box 1 is what you are paid and does not move with the floating of the lock.

Q: Is a change of loan program initiated by borrower considered a change of circumstance?

A: Yes, it could be, however, remember only the fees associated with that change can be made.

Q: How are broker points handled regarding IRS? Tax Deductable?

A: You are paid by your origination fee now not broker points.

Q: Will originators be accountable for overages on the settlement on the Title side, even if the borrower did not pick the settlement company?

A: You are only bound to tolerances if the borrower selects a servicer you provided on your service provider list.

Q: In Box A, If I show less yield spread than my final lock (assuming it was not locked when I did the GFE), but my total compensation is still less than my GFE, am I okay? (I plan to over-disclose the total on every loan).

A: You only get paid for what you put in Box 1 for your origination The YSP belongs to the borrower and floats until it is locked.

Q: Calyx software seems to want the YSP to be listed in two places in order to get the Page 2, Box A, Line 1 and 2 correctly. We list our YSP as paid by borrower under the mortgage broker fee, and then must list it as YSP on line 815 added to the Initial Fee Worksheet. This seems wrong. Must we list it twice to get it right once?

A: We have referred this question to Calyx and will get back to you.

Q: Most of our borrowers want to lock upon applying for the loan with us. One of our lenders will not allow us to lock the loan until they "Certify the GFE". For the borrower this means they cannot lock in advance of a possible rise in rates. This makes re-pricing from the lender that much more deadly. Was that HUD's intent?

A: That was not the intent of HUD. There are many lenders who are allowing forward locks so check around with other lenders. We hope to see things settle down once everyone knows what is going on.

Q: If you are sitting in a restaurant taking a loan app on a cocktail napkin, does the 3 day clock start when your business opens the next day?

A: The day you take the application starts the clock.

Q: Ccan you go back to the service provider who raised their fee and collect from them?

A: No.

Q: Do you think lenders' underwriting will be more conscious of the cost of the conditions they ask for? For example, "Broker to provide a VOE". If using a third party verification company is company policy, the cost is not accounted for initially on the GFE. Now who absorbs the cost?

A: No, underwriting guidelines are not looking to becoming less restrictive any time soon. In that case it could be considered a changed circumstance and you could re-disclose and add the fee for that.

Q: Our lender wants us to list both the owner's AND the lender's Title policy. Does that seem right to you?

A: As it is required by HUD, yes.

Q: Can one provide a GFE if the property is TBD?

A: Yes, but you would be bound to the terms.

Q: Can the amount in line 2 go down if the YSP we actually make is less?

A: Yes, the amount in line 2 can do down if the YSP changes, but the YSP goes to the borrower not the broker.

Q: Is the PIMI binding? What if the MI factor changes during underwriting?

A: That would be considered changed circumstances and the fees associated with the MI factor could be adjusted and a new GFE re-disclosed.

Q: What if we get a rebate (YSP) and we are NOT crediting it to the borrower's closing costs. Does it still have to be shown in the 2nd box of number 2?

A: Yes, it must be shown in the 2nd box of number 2. You do not have a choice about crediting it to the borrower. YSP must always be shown in box 2.

Q: So are you saying that we need to issue a new GFE after we lock a loan that was previously floating?

A: Yes.

Q: Is our YSP included in the "Origination Charge"? I am confused!

A: If you would like to get paid the amount equivalent to the YSP, then you must include it in box 1 under "Origination".

Q: What about the lender's Title policy which is paid for by the seller? Does that still have to be shown? If so, where?

A: If you are talking about owner's Title policy, then yes it has to be shown in block 4.

Q: If we are doing a conventional loan and a termite inspection is not required, do we still need to list that fee?

A: No, you do not.

Q: Can we lock a loan before the borrower has given an acknowledgement of receiving the GFE and moving forward with the loan?

A: No, you cannot lock a loan until the borrower makes a commitment to proceed.

Q: Can you clarify the 10 days - can it be shortene, if the letter of intent is signe?.

A: Yes, the 10 days can be shortened if the borrower acknowledges intent to proceed.

Q: If we issue a Good Faith Estimate for a pre-approval, for instance on a 5/1 for compliance, then when a property is located change program to a 30 year fixed which would be a changed program and allow for new origination, etc., do we have to reissue the GFE?

A: You do not need to issue a GFE on a TBD because you do not have all 6 of the items identified by HUD as required for an application. However, if you choose to provide a GFE on a TBD, then yes, you would issue a new GFE but you cannot increase your fees you disclosed on your first GFE.

Q: Can you pull credit without giving a Good Faith, if you don't have an address?

A: Yes you can.

Q: What if lender programs change in the 10 days?

A: HUD does address issues with program changes and depending on the change it could be considered a changed circumstance.

Q: Do Escrow fees go in box 4?

A: Yes.

Q: What can we do with VA loans? Are we limited to the 1%.

- A: *In reference to VA loans see circular 21-10-01. It says that the lender/broker may only charge the veteran a flat fee up to 1% of the loan amount. The flat fee is meant to cover lender/broker costs and services, which are not reimbursable.*
- Q: *Can you put a random address (like your office address) on a GFE so that there is an address on every GFE thus eliminating the problem of not increasing fees on TBD properties?*
- A: *No, you cannot put a random address on a GFE or an application. **The application and GFE are legal documents. Please refer to this section of the loan application that you sign: IX. ACKNOWLEDGEMENT AND AGREEMENT** Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.*
- Q: *Can you shorten your lock period @ #3 to allow for delivery to the investor?*
- A: *Yes, you can shorten the lock period to whatever you would like to place it at.*
- Q: *Cash-out refinance @ 65% LTV with .75% origination fee included in "Origination Charge". Appraisal comes back and now LTV is 55% LTV. Do you have to re-disclose with a credit of the .75% orig or can you just give them line item credit at closing?*
- A: *You should check with your lender to find out what their policies are for changed circumstances and follow their guides. Most are requiring re-disclosure of any changed circumstance. This would not affect your origination you disclosed and you will get paid the original origination fee.*
- Q: *Discount points: you said that a mortgage banker cannot charge a discount point. What if there is a cost to get the rate the borrower wants. Aren't we allowed to charge points to cover the cost?*
- A: *Yes, mortgage bankers can charge discount points and it would be listed in box 3 of box 2.*
- Q: *If the purchase price changes, which will change the loan amount, can the fees that were based on the original loan amount be changed (higher or lower) to correspond with the new loan amount?*

A: *If by fees you mean your origination fee, the answer is no, your origination fees cannot change.*

Q: *Does the GFE have to be mailed or can it be emailed?*

A: *The GFE can be emailed but you need to be sure to follow the requirements of the E-Sign Act.*

Q: *Does the term "originator" include banks?*

A: *Yes.*

Q: *Does the YSP credit count towards total seller/3rd party concessions?*

A: *You will want to check with your investor to determine how they are handling this. This question has not yet been answered by HUD. Watch for updates.*

Q: *Does this mean you don't have to get an authorization form to pull credit?*

A: *You will still need to obtain authorization to pull credit.*

Q: *Earlier she mentioned that a sales contract was not something to hold up GFE. So what do you do in the case where you have an offer in on a property but the seller has not accepted yet or lender approved in the case of a short sale. Short sales are more than 50% of our market so this is very important. Borrowers are making offers on multiple short sales at a time so this gets very confusing.*

A: *This issue has gone back to HUD to address regarding multiple offers. Stay tuned for details. HUD has defined an application to include property address so if you do not have that yet, then you would have an application with a TBD so would not need to issue a GFE.*

Q: *I would like to know the details on the exam requirement by federal as well as state law. I live in California. I hear that we need to sit for 2 separate tests to get a separate license in order to originate loans.*

A: *Although a different topic, yes you will have to sit for two separate tests, one state and one federal. You can schedule them to overlap. Allow three hours for the federal test and two for the state test. MSS will be offering a test prep course within the next few weeks.*

Q: *Their intention to move forward: how does it need to happen, written or verbal?*

A: *It can be either written or verbal. Your company should establish a policy because the GFE has no place for a signature and you cannot add a signature line.*

Q: *In NY, where you pay mortgage tax which is a percentage of the loan amount, where does that go on the new GFE?*

A: *It would go on line 8 on page 2 of the GFE.*

Q: *If a loan amount changes can origination charge change as well?*

A: *No. The origination charge cannot change with a loan amount change.*

Q: *After locking a loan do we have to re-disclose? For "Service Provider" do I only list providers that we do require to use our servicers?*

A: *Yes, you will re-disclose after the loan is locked. A list of service providers is a list of providers that the borrower can choose from, not that you require them to use.*

Q: *So a correspondent lender does not have to show any SRP?*

A: *If you are funding the loan on your own line you do not have to disclose SRP, if you are not funding the loan on your line you will need to disclose YSP.*

Q: *How are we supposed to supply fees for Title if the property is bank owned and we don't know what the bank's Title company is charging before the 3 days is up?*

A: *List fees from your list of Title companies that you provide on your service provider list. If they do not select the service provider you provide on your list you are not held to those tolerances.*

Q: *Where do I get information regarding the Transfer Taxes?*

A: *A Title company is a good source for this information.*

Q: *If I issue a GFE based on a floating rate and YSP of 1.5% but when it comes time to lock the YSP is 1.75%, do I get to keep any part of the additional YSP?*

A: *The additional credit (YSP) would be given to the borrower, as the origination charge in Block 1 cannot be increased due to a lock event.*

Q: *If we forget to disclose a fee on the GFE, can seller, Realtor or other third party other than the broker pay for it at closing?*

A: *Fees that were not disclosed cannot be charged at closing.*

Q: *If the borrower changes the loan amount can I re-disclose and make more YSP?*

A: *It would be necessary to issue a revised GFE, the only fees that would be changed are those associated with the loan amount. That being said, you would not be able to make more YSP. Your compensation is not associated with the YSP. You state how much you wish to be compensated and that is it. The compensation is no longer associated with the loan amount.*

- Q: If loan is floating and rate improves when I lock can I make the extra YSP. If not, does the lender keep that extra YSP I would have made?*
- A: Unfortunately no, you will only be compensated by the amount that has been put into Block 1 when you issue the GFE. Locking the loan is not associated with your compensation.*
- Q: If the changes are a reduction in fee(s) or the borrowers are paying less than what was originally disclosed, is a new GFE required?*
- A: Yes, HUD does not make a distinction between up or down.*
- Q: If the GFE is considered a binding contract why is there no signature block on the GFE?*
- A: Very good question, unfortunately way above my pay grade. Comedy aside, there has never been a regulatory requirement that the GFE be signed. It has always been an industry issue. HUD has now made a statement that they don't want the signature line added because they do not want the GFE altered. They don't object to a separate form showing an acknowledgment.*
- Q: What if box 1 "Origination Charge" actually decreases after locking the loan? What is required?*
- A: If there was a reduction in the amount of fees being paid to the lender or your compensation was reduced, then a new GFE should be done.*
- Q: If the Up-Front MI and VA Funding Fee are part of the 10% tolerance, what happens if the loan amount changes?*
- A: That would be a changed circumstance and you would be able to issue a new GFE changing those fees.*
- Q: If the Title company is chosen by seller/sellers attorney on a purchase transaction, are the Title fees subject to the 10% tolerance?*
- A: If those companies are not on your Provider List, then you should not be subject to 10% tolerance.*
- Q: How are SRP and YSP disclosed on page 2 for mortgage bankers*
- A: The SRP is not disclosed. If the loan is closing in your name and you are using your own funds to close, the YSP could be considered a secondary market pricing situation. If you do not use your own funds to close (warehouse line), you would be considered a broker and must disclose.*
- Q: If we do not lock the rate, and issue a new GFE based on the locked rate, can we then change our origination charge on that revised GFE?*

A: No.

Q: *What if we have a locked refi and it does not fund by lock expiration date, can we send a revised GFE reflecting the lock extension or re-lock fee? Again, can we change 1. or must we reflect in 2. sub-box 2 or 3?*

A: *First of all, check with your Investor to determine what their definition of changed circumstance will be regarding re-locks. It may not be possible to issue a new GFE. This is a grey area. What caused the need for the extension? If it was due to something the lender or broker did, HUD will not allow the borrower to pay for that error. Your compensation in Block 1 cannot be changed.*

Q: *Shouldn't we just NOT do an official GFE if there is no property address yet, just do a worksheet? In the case of a refi, couldn't we just not collect the income and do a worksheet vs. an official GFE?*

A: *If there is not property then provide the borrower with a worksheet that provides the info they are seeking. Just make sure it is clear that the worksheet is not a Good Faith Estimate. In the case of a refi, it is highly unlikely that you would not obtain all 6 items needed for an application. Therefore, you should be issuing a GFE.*

Q: *I do NOT understand why you would EVER issue a GFE on a TBD address. Just issue a worksheet.*

A: *You are correct.*

Q: *What if the loan amount changes due to either low appraisal or client request, can we then re-quote settlement agent changes. i.e., lender's Title insurance and escrow fee might change.*

A: *You can only change those fees that are associated with the loan amount (excluding Origination fee).*

Q: *What if the LTV comes in much lower than expected, and the locked rate's pricing is now much different, can we change 1. loan orig. fee, or must we only make the adjustment by showing a change in 2. sub-box 2 or 3?*

A: *You will not be able to change the fee shown in Block 1.*

Q: *If we don't lock, do we quote YSP?*

A: *It would depend on what rate you quoted.*

Q: *You mentioned a 60 day disclosure relevant to "new construction" where you might have issued a GFE 120 days before settlement. You mentioned a very important disclosure to issue... Can you provide?*

- A: In transactions involving new home purchases, where settlement is anticipated to occur more than 60 calendar days from the time a GFE is provided, the loan originator may provide the GFE to the borrower with a clear and conspicuous disclosure stating that at any time up until 60 calendar days prior to closing, the loan originator may issue a revised GFE. If no such separate disclosure is provided, the loan originator may not issue a revised GFE in the absence of changed circumstances or another event as provided in 24 CFR § 3500.7(f).*
- Q: I don't understand the implications of the "shopping period". Apparently that's important... Does it mean that I don't begin to process the loan until they've shopped around?*
- A. You can go ahead and begin processing. The shopping period just means that the borrower has the opportunity to go out and seek other services just in case they do not want to use the provider you suggested.*
- Q: If we have a borrower's social security number, along with the other 5 items required to meet the GFE application definition, is it assumed that we have checked the credit (and credit score) when we issue the GFE?*
- A: Checking the credit and the credit score is not relevant to the issuance of the GFE. Once you have those 6 items, you have triggered the need for the GFE.*
- Q: If we have to change lenders, my understanding is that this is a denial from the first lender and that we are starting over again with a new loan file. Is this correct?*
- A: You are correct.*
- Q: If the loan amount changes, isn't this a changed circumstance? Origination is tied to loan amount and therefore the bottom line figure would change.*
- A: Origination is no longer tied to loan amount. You must determine the amount you wish to be compensated. It does not matter what the loan amount is.*
- Q: If we pull credit and see a judgment that will have to be paid off, do we have to include that figure in the GFE? Collections that u/w is requiring to be paid off wouldn't be known at time of GFE.*
- A: No, the judgment would not go into the GFE, the issue of the judgment or collection could affect pricing which would affect the GFE.*
- Q: If you have an acceptable change of events requiring new disclosure, is there a time limit on how quickly you must re-disclose the new revised GFE?*
- A: Yes, you must re-disclose within 3 business days of the changed circumstance.*

- Q: If you have the 6 pieces of information, but the borrower is denied, do you still need to send a GFE? It seems to contradict what the previous speaker said.*
- A: If the denial is made within 3 business days of application, you would not have to issue the GFE.*
- Q: If you lock the loan and it changes box 2, can the credit go up or down, this would be a changed circumstance correct?*
- A: Yes, it would be a changed circumstance. However if the credit goes up, keep in mind that that increased YSP will not go to you as compensation, it would be credited to the borrower.*
- Q: In a purchase transaction, the agents charge the borrowers admin fees or offer the borrowers a home warranty. How do we include that on our GFE and are we responsible for those fees if we were not made aware of those fees?*
- A: HUD states that those fees are between the borrower and agent and are not part of the loan transaction so therefore they would not be put on the GFE.*
- Q: In your example number 1, is all YSP credited back to borrower? What is the total compensation to broker after credit? \$2500.00?*
- A: Yes, the amount is credited to the borrower.*
- Q: On the example, you gave GFE date of January 1, but had a January 15 date instead of 10 days, why?*
- A: You have to give the borrower 10 business days from when the application is taken. Since the example came from HUD, and they used Monday-Friday as business days. It works out 4-8 then 11-15.*
- Q: Is HUD basically giving the borrower the option to close with the Title company of their choice? What happens in the cases related to foreclosures where there are designated closing agents?*
- A: Yes, they are giving the borrower their choice. In those instances where HUD has designated the closing agent, it really doesn't matter. You would base your quote off the provider on your list and then if there is another provider chosen by the borrower or agent, you will not be held to the 10% tolerance.*
- Q: Is it better NOT to include the YSP credit information and just explain to the borrower that they'll get it?*
- A: No.*

Q: Do you feel like some evil dastardly power monger hates mortgage brokers and has made it his life goal to put us out of business?

A: That is a very good question for your Congressman and Senator.

Q: If I quote section 2 that you'll get a credit and the market changes...then must I still provide that credit? If I say on page one that the rate quote is good until NOW, then does that negate the 10 business day period during which you must honor the information provided?

A: Once you lock the loan, the amount quoted in block 2 is set, market changes don't allow for change. The time limit on page 1, question 1 does not affect the 10 day period. They are separate.

Q: Is it permissible by HUD to provide an estimated cost analysis before providing the GFE.

A: Yes, as long as you have not collected the 6 needed items defining an application.

Q: Is the zero tolerance in box 1 only for increasing the dollar figure? Are you saying we can't over-estimate and lower that figure later?

A: You can lower the figure, you just can't increase.

Q: Is there any way to safely do a TBD application?

A: Yes, just don't think about it as an application, but as information being gathered. Design a worksheet that you can provide to your borrower that will provide you with the information you need to qualify the borrower and then also provide the proposed payment and closing costs. Just make sure it does not look like or say Good Faith Estimate.

Q: It's my understanding that it's a HUD violation to break down the origination costs in writing.

A: On the GFE itself you cannot. You can break it down on a separate form and it can be broken down on the HUD-1.

Q: On #3 important dates, if we lock a loan for 30 days don't we really need to put 26 days to account for the rescission?

A: No, you would put the actual number of days the lock is active.

Q: If the broker pays for the appraisal out of his own funds (to be reimbursed later by the borrower) is this a workaround to getting the appraisal ordered within the first 3 days?

A: No, because you are still imposing a fee. You cannot charge nor impose a fee.

- Q: On 10% tolerance, the indication is that the total fees cannot change by more than 10%, even if some line items in that category vary by more than 10%. Is this correct?*
- A: The 10% tolerance is based on an aggregate, so some fees may be higher and some lower you just don't want the net to be over 10% higher than what was originally quoted.*
- Q: On a purchase I cannot think of anything to put on the Service Provider. list since the agents will pick Title co. What would there be? Can't shop appraisals.*
- A: It's a false impression that the xeller chooses the Title company. In fact, that is a RESPA violation when the borrower is forced to use a particular company. They must be given a choice. That being said, it's not reality. Reality is that the xeller will "suggest" a Title company or closing agent. It's up to the borrower to select. What HUD is expecting from you is for you to provide a name and contact information for the company from whom you developed your quote. They want to know you have not pulled the numbers out of the air. So develop your list of settlement agents, Title companies and any other service provider that you would require the borrower to use during the loan transaction.*
- Q: On a TBD property, if they purchase price goes up, how can there be a zero % tolerance on the transfer taxes?*
- A: Therein lies the risk of issuing a GFE on a TBD. You should not have issued the GFE, but if you did; you are stuck with the fees because finding a property is not a changed circumstance.*

Changed Circumstance

- Q. What happens if the payoff demand changes and I have to increase the loan amount?*
- A. This would be a changed circumstance, which would be reviewed by the underwriter, and any fees that may change as a result of this changed circumstance would be re-disclosed.*
- Q. If the lender re-issues a new GFE, is it subject to the same procedures as a TIL re-disclosure?*
- A. If a GFE is re-disclosed due to changed circumstance the revised GFE must be re-issued within 3 business days of notification of the changed circumstance. The borrower is presumed to receive the re-issued GFE 3 calendar days after placing it in the mail. Unlike TILA, there is not a 3-business day wait period after it has been received before the transaction can proceed. RESPA does not negate any disclosure requirements under TILA.*

- Q. In extending a lock, if the rate does not change, only the credit (YSP) is reduced does a re-disclosed GFE have to be sent to the borrower?*
- A. Yes, all lock events require a re-disclosed GFE. The credit amount would be adjusted and the dates on page 1 would be changed.*
- Q. If the borrower puts less down and the loan requires MI that I did not originally disclose, what happens?*
- A. This would be a changed circumstance subject to re-disclosure within 3 business days of being notified the borrower wants to decrease their down payment.*
- Q. If the borrower changes their mind and increases their loan amount can I increase my origination charge?*
- A. No. The amount disclosed in Block 1 "Our Origination Charge" is no longer a percentage of the loan amount and cannot be changed after the GFE has been accepted by the borrower.*
- Q. On a VA loan if the Veteran says he/she is exempt from the VA Funding Fee and we subsequently find out he/she is not and must pay the Funding Fee is that a changed circumstance?*
- A: It is, but would be very difficult to document unless the Veteran signed a statement when you issue the GFE. Unless you have evidence he/she is exempt I would include it on the GFE and let them know that, with verification, they may not be required to pay that amount.*
- Q: What if the borrower, after receiving the GFE, decides they want to pay an origination point to get the lower rate and when the GFE was issued it was at 0+0 on a higher rate. Is that a changed circumstance because the borrower is deciding to change?*
- A: The origination charge cannot change once the GFE is issued. The borrower can change their rate and pay discount points but you cannot change the origination fee you have disclosed in box 1 of page 2 of the GFE - "Adjusted Origination Charges".*
- Q: Can you change your fees with change of circumstance? Example: going from a 30 year, \$4,000 total origination to a 15 Year, \$5,000 total origination.*
- A: No, you cannot change your fees with a change of circumstances. Only the fees associated with the change can change.*
- Q: Doesn't sales price change qualify as a changed circumstance and then allow you to adjust the origination fee according to the changed sales price?*
- A: While this would qualify as a changed circumstance it does not allow you to increase your origination fee to accommodate the changed sales price. Once you have disclosed*

your origination fees on your GFE and the borrower has accepted those terms you are held to those fees.

- Q:** *How does this apply to the new GFE requirements that income changes don't create a change in circumstance that would allow for an adjustment to the GFE? i.e., if a borrower has given me verbal income information, I prepare a GFE based on that verbal information and the actual income verification is less than what was required to prepare the GFE?*
- A:** *If the information provided by the borrower is incorrect then that could be considered a changed circumstance, however, that does not mean that you can increase your origination fee.*
- Q:** *If the client, due to a change in circumstance, has to pay more to close can we leave the origination charge the same and increase the rate?*
- A:** *Be careful here, the increase in YSP to cover those other closing costs may affect your compensation. Remember, the compensation you entered in block 1 stays the same. Any increase in YSP will be deducted from this amount and credited to the borrower.*

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