



NEW HUD BASICS: THINGS YOU SHOULD KNOW

What is a HUD-1?

A HUD-1 is the form used for the settlement statement. This form identifies and discloses all of the charges applicable due to the transfer or refinance of the property. It also allows for adjustments or proration of expenses paid for the property over time, for example--water bills, tax bills, homeowner association fees, condominium fees and other assessments. All closing costs are represented on this statement to identify the bottom line paid for the property by the buyer and the bottom line received by the seller.

- The New HUD effective date was January 16, 2009, but it is not required to be used until January 1, 2010.
- One of the primary purposes of the new HUD is to improve upfront disclosures on the GFE, and limit the amount estimated charges can change. It is anticipated that these changes will help consumers save nearly \$700 in closing costs.
- The new RESPA Rule includes a provision for a prescribed Form GFE which is three pages long.
- To help borrowers compare their Good Faith Estimate with their HUD-1 Settlement Statement, each designated line on the final HUD-1 will now include a reference to the relevant line from the GFE.
- The new HUD will also require lender payments to mortgage brokers (Yield Spread Premiums) to be disclosed in a more meaningful way.
- Loan originators will be required to provide borrowers their Good Faith Estimate three days after the loan originator's receipt of all necessary information.
- HUD will allow lenders and settlement service providers to correct potential violations of RESPA's new disclosure and tolerance requirements. Lenders and settlement service providers will now have 30 days from the date of closing to correct errors or violations and repay consumers any overcharges.
- Sections of the HUD that have significantly changed: 800, 1100, 1200.

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Lawyers Title



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Included in the rule is the revised HUD-1 settlement statement which includes a comparison of charges quoted on the Good Faith Estimate (GFE) to the actual charges on the HUD-1. The comparison is provided because there are now three tolerance categories for increases to some of the fees quoted on the GFE by the lender. Settlement agents will need to indicate which category a charge falls under:

Category 1 - charges which cannot increase at settlement

Category 2 - charges which cannot increase more than 10% at settlement

Category 3 - charges which can change at settlement

Below is a description of the tolerance levels and which charges are included in each category.

Category 1 These charges cannot increase at settlement	Category 2 The total of these charges can increase up to 10% at settlement	Category 3 These charges can change at settlement
Your origination charge	Required services that we select	Required services that you can shop for (if client does not use companies we identify)
Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate)	Title services and lender's title insurance (if we select them or client uses a company we identify)	Title services and lender's title insurance (if client does not use companies we identify)
Your adjusted origination charges (after you lock in your interest rate.	Owner's title insurance (if client uses companies we identify)	Owner's title insurance (if client does not use companies we identify)
Transfer Taxes	Required services that you can shop for (if client uses companies we identify)	Initial deposit for your escrow account
	Government recording charges	Daily interest charges
		Homeowner's insurance

