

15. Appendix C to part 3500 is revised to read as follows:

**APPENDIX C TO PART 3500—
INSTRUCTIONS FOR COMPLETING
GOOD FAITH ESTIMATE (GFE) FORM**

The following are instructions for completing the GFE required under section 5 of RESPA and 24 CFR 3500.7 (Regulation X) of the Department of Housing and Urban Development regulations. The standardized form set forth in this Appendix is the required GFE form and must be provided exactly as specified. The instructions for completion of the GFE are primarily for the benefit of the loan originator who prepares the form and need not be transmitted to the borrower(s) as an integral part of the GFE. The required, standardized GFE form must be prepared completely and accurately. A separate GFE must be provided for each loan where a transaction will involve more than one mortgage loan.

General instructions

The loan originator preparing the GFE may fill in information and amounts on the form by typewriter, hand printing, computer printing, or any other method producing clear and legible results. Under these instructions, the “form” refers to the required, standardized GFE form. Although the standardized, required GFE is a prescribed form, sections 3 and 5 on page 2 may be adapted for use in particular loan situations, similarly to the way the Form HUD-1 Settlement Statement is adaptable, so that if additional lines are needed in those blocks on the GFE, additional lines may be inserted there.

All fees for categories of charges shall be disclosed in U.S. dollar amounts.

Specific instructions

Page 1.

Top of the Form—The loan originator must enter its name, business address, telephone number and email address on the top of the form, along with the borrower’s (GFE applicant’s) name, the address of the property for which financing is sought, and the date of the GFE.

Instructions—This section requires no loan originator action.

Important dates—This section briefly states important deadlines that the GFE applicant must meet during the GFE application and mortgage application processes in order to obtain the loan product that is the subject of the GFE. In Line 1, the loan originator must state the date until which the interest rate for the GFE will be available. In Line 2, the loan originator must state the date until which the estimate of all other settlement charges for the GFE will be available. In Line 3, the loan originator must state how many days within which time the GFE applicant has to go to settlement from the start of the mortgage application process, and how many days prior to settlement the interest rate would have to be locked.

Summary of Your Loan Terms—In the section entitled “Your Loan Details”, for all loans, the loan originator must fill in:

- (i) The initial loan balance;
- (ii) The loan term;

- (iii) The initial interest rate; and
- (iv) The initial monthly amount owed for principal, interest and any mortgage insurance.

The loan originator must also specify the rate lock period in days informing the borrower that after the borrower locks in his or her interest rate, the borrower must go to settlement within this period to receive that interest rate.

The loan originator must indicate whether the interest rate can rise, and, if so, insert the maximum rate to which it can rise. The loan originator must indicate whether the loan balance can rise, and, if so, insert the maximum amount to which it can rise. (If the loan balance will increase only because escrow is run out of the loan balance, the loan originator is not required to check the box indicating that the loan balance can rise.) The loan originator must indicate whether the monthly amount owed for principal, interest, and any mortgage insurance might rise, and, if so, insert the maximum amount to which it can rise. The loan originator must indicate whether the loan includes a prepayment penalty, and, if so, the maximum amount that it could be. The loan originator must indicate whether the loan requires a balloon payment and, if so, the maximum amount, and in how many years it will be due. The loan originator must also indicate whether the loan includes a monthly escrow payment for property taxes and other financial obligations.

Summary of your settlement charges—In this section, the loan originator must state its own charges (“Your Adjusted Origination Charge”) based on the calculation of Blocks 1 and 2 on page 2, as entered at highlighted Line A on page 2. The loan originator must provide the total charge for all other services (“Your Charges for All Other Settlement Services”) based on the addition of the sums in Blocks 3 through 10 on page 2, as entered at highlighted Line B on page 2. The loan originator must provide the sum of these two numbers (“Total Estimated Settlement Charges”), as entered at highlighted Line A+B on page 2.

Page 2.

Understanding Your Estimated Settlement Charges—This section details the ten settlement cost categories and amounts associated with the mortgage loan. For purposes of determining whether the tolerance has been met, the amount on the GFE should be compared with the total of any amounts shown on the HUD-1 in the borrower’s column and any amounts shown as “P.O.C. (borrower).”

“Your Loan Details”

Block 1, “*Our service charge*”—The loan originator must state here all charges that all loan originators involved in this transaction will receive, except for any charges for the interest rate chosen noted in Block 2. The amount stated in Block 1 is subject to zero tolerance, i.e., the amount may not increase at settlement.

Block 2, “*Your credit or charge for the specific interest rate chosen (points)*”—The loan originator must indicate through check boxes whether there is a credit to the borrower for the interest rate chosen on the loan, and the amount of the credit, or

whether there is an additional up-front charge to the borrower for the interest rate chosen on the loan, and the amount of that charge. A credit and charge cannot occur together in the same transaction. A lender may choose not to separately disclose any credit or charge for the interest rate chosen on the loan in this block; however, if this block does not include any positive or negative figure, the lender must check the first box to indicate that “The credit or charge for the interest rate you have chosen” is included in “Our service charge” above. (See Block 1 instructions above.) For a mortgage broker, the credit or charge for the specific interest rate chosen is the difference between the initial loan amount and the payment to the mortgage broker (i.e., the sum of the price paid for the loan by the lender and any other payments to the mortgage broker from the lender). When the amount paid to the mortgage broker exceeds the initial loan amount, there is a credit to the borrower and it is entered as a negative amount in Block 2 of the GFE. When the initial loan amount exceeds the amount paid to the mortgage broker, there is a charge to the borrower and it is entered as a positive amount in Block 2 of the GFE. The amount stated in Block 2 is subject to zero tolerance while the interest rate is locked, i.e., any charge for the interest rate chosen cannot increase and any credit for the interest rate chosen cannot decrease in absolute value terms.

Line A, “*Your Adjusted Origination Charges*”—The loan originator must add the numbers in Blocks 1 and 2 and enter this subtotal at highlighted Line A. The subtotal at Line A will be a negative number if there is a credit in Block 2 that exceeds the charge in Block 1. The amount stated in Line A is subject to zero tolerance while the interest rate is locked.

In the case of “no cost” loans where “no cost” refers only to the loan originator’s fees, Line A must show a zero charge as the adjusted origination charge. In the case of “no cost” loans where “no cost” encompasses third party fees as well as the up-front payment to the loan originator, the third party fees listed in Block 3 through Block 10, to be paid for by the loan originator, must be itemized and listed on the GFE, and the total for Line A will result in a negative number equal to the third party fees covered in the loan originator’s definition of “no cost.”

“Your Charges for All Other Settlement Services”

Block 3, “*Required services that we select*”—In this block, the loan originator must identify each third party settlement service required and selected by the loan originator (excluding title services), along with the estimated price to be paid to the provider of each service. The loan originator must identify the specific required services and provide an estimate of the price of each service. Loan originators are also required to add the individual prices disclosed in this block and place the total in the right-hand column of this block. Where a loan originator permits a borrower to shop for third party settlement services, the loan originator must

provide the borrower with a written list of settlement services providers at the time of the GFE, on a separate sheet of paper. The 10 percent tolerance applies to the sum of the prices of each service listed in Block 3, Block 4, Block 5, and Block 10, where the loan originator requires the use of a particular provider or the borrower uses a provider selected or identified by the loan originator. Any services in Block 4, Block 5, or Block 10 for which the borrower selects a provider other than one identified by the loan originator are not subject to any tolerance and should not be included in the sum of the prices on which the 10 percent tolerance is based.

Block 4, "*Title services and lender's title insurance*"—In this block, the loan originator must state the estimated total price paid to third party settlement service providers for all title related services and lender's title insurance premiums, when such services are required by the loan originator, regardless of whether they are selected by the prospective borrower or the loan originator. Where a loan originator permits a borrower to shop for title services and lender's title insurance, the loan originator must provide the borrower with a written list of title services providers at the time of the GFE on a separate sheet of paper. The price shown in this block is subject to an overall 10 percent tolerance as described in the instructions for Block 3 above, if the borrower selects one of the title services providers identified by the loan originator.

Block 5, "*Required services that you can shop for*"—In this block, the loan originator must identify each third party settlement service required by the loan originator where the borrower is permitted to shop for and select the settlement service provider (excluding title services), along with the estimated price to be paid to the provider of each service. The loan originator must identify the specific required services and provide an estimate of the price of each service. The loan originator must also add the individual prices disclosed in this block and place the total in the right-hand column of this block. Where a loan originator permits a borrower to shop for a required settlement service, the loan originator must provide the borrower with a written list of settlement service providers at the time of the GFE, on a separate sheet of paper. The prices shown in this block are subject to an overall 10 percent tolerance as described in the instructions for Block 3 above, if the borrower selects a settlement service provider identified by the loan originator.

Block 6, "*Government Recording and Transfer Charges*"—Based upon the proposed loan amount and/or sales price,

and the property address, a loan originator must estimate in this block the sum of all state and local government fees, charges, and taxes, usually resulting from the mortgage loan or property transfer, which can be expected to be charged at settlement. A zero tolerance applies to the sum of these estimated fees.

Block 7, "*Reserves or escrow*"—In this block, the loan originator must estimate the amount that the borrower will be required to place in a reserve or escrow account at settlement to be applied to periodic property tax, homeowner's insurance, mortgage insurance payments, or other periodic charges.

Block 8, "*Daily interest charges*"—In this block, the loan originator must enter the daily interest amount applicable to the proposed loan and estimate the total amount that will be due at settlement, based on a closing date that the loan originator is to identify in this block, and list the specific number of days.

Block 9, "*Homeowner's insurance*"—The loan originator must estimate in this block the premium amount for a hazard insurance policy meeting the loan originator's requirements. To the extent a loan originator requires that hazard insurance be part of the escrow account, the amount of the initial escrow deposit must be properly included in Block 7.

Block 10, "*Optional owner's title insurance*"—In this block, the loan originator must estimate the price of an owner's title insurance policy. The loan originator must provide the borrower with a written list of providers of owner's title insurance at the time of the GFE on a separate sheet of paper. The price shown in this block is subject to an overall 10 percent tolerance as described in the instructions for Block 3 above, if the borrower selects a title services provider identified by the loan originator.

Line B, "*Your Charges for All Other Settlement Services*"—The loan originator shall add the numbers in Blocks 3 to 10 and enter this subtotal at highlighted Line B.

Line A + B, "*Total Estimated Settlement Charges*"—The loan originator shall add the numbers at highlighted Lines A and B and enter the total at highlighted Line A + B.

Page 3.

"Important Information and Instructions"

"Shopping for a loan offer"—The section requires no loan originator action.

"Understanding Which Charges Can Change at Settlement"—This section informs the prospective borrower of which categories of settlement charges can increase at closing, and by how much, and which categories of

settlement charges cannot increase at closing. This section requires no loan originator action.

"Looking at Trade-offs"—This section is designed to make borrowers aware of the relationship between their total estimated settlement charges on one hand, and the proposed interest rates and resulting monthly payments on the other hand. The loan originator must complete the left hand column using the loan amount, interest rate, monthly payment figure, and the total estimated settlement charges from page 1. The loan originator must provide the borrower with the same information for two alternative loans, one with a higher interest rate, if available, and one with a lower interest rate, if available, from the loan originator. The alternative loans must use the same loan amount and be otherwise identical to the loan in the GFE. The loan originator must fill in the trade-off chart to show the borrower the loan amount, alternative interest rate, alternative monthly payment, the change in the monthly payment from the loan in this GFE to the alternative loan, the change in the total settlement charges from the loan in this GFE to the alternative loan, and the total settlement charges for the alternative loan. If either of the alternative loans are not available from the loan originator, the loan originator should so indicate with N. A. (i.e., Not Available), in the appropriate column(s). If these options are available, an applicant may request a new GFE, and a new GFE must be provided by the loan originator.

Page 4.

"Your financial responsibilities as a homeowner"—In this section, the loan originator must enter the estimated annual amount for property taxes, and any homeowner's, flood, or other required property protection insurance that the GFE applicant may incur in order to retain the mortgaged property. The remainder of this section requires no loan originator action.

"Applying for this loan"—In this section, the loan originator must provide its contact information, i.e., name and telephone number or email address, and specify any fee the borrower must pay to proceed with the mortgage application.

"Getting More Information"—The section requires no loan originator action.

"Using the shopping chart"—This chart is a shopping tool to be provided by the loan originator for the borrower to complete to compare GFEs.

"If your loan is sold in the future"—This section requires no loan originator action.

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