

A. Settlement Statement

U.S. Department of Housing
and Urban Development



OMB Approval No. 2502-0285

B. Type of Loan

1. FHA 2. FmHA 3. Conv. Unins. 4. VA 5. Conv. Ins.

6. File Number 7. Loan Number 8. Mortgage Insurance Case Number

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name and Address of Borrower **E. Name and Address of Seller** **F. Name and Address of Lender**

G. Property Location **H. Settlement Agent**

I. Settlement Date

J. Summary of Borrower's Transactions		K. Summary of Seller's Transactions	
106. Gross Amount Due From Borrower		406. Gross Amount Due To Seller	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	
206. Amounts Paid By Or In Behalf Of Borrower		506. Reductions in Amount Due To Seller	
201. Deposit of earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/for Borrower		520. Total Reduction Amount Due Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220) ()		602. Less reductions in amt. due seller (line 520) ()	
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

Previous Edition is Obsolete

HUD-1 (3-81)
RESPA, HI 4305.2

L. Settlement Charges				Paid From Borrowers Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price \$					
Division of Commission (line 700) as follows:					
701. \$	to	@	% =		
702. \$	to				
703. Commission paid at Settlement					
704.					
800. Items Payable in Connection With Loan					
801. Loan Origination Fee	%				
802. Loan Discount	%				
803. Appraisal Fee	to				
804. Credit Report	to				
805. Lender's Inspection Fee					
806. Mortgage Insurance Application Fee to					
807. Assumption Fee					
808.					
809.					
810.					
811.					
900. Items Required by Lender To Be Paid in Advance					
901. Interest from	to	@ \$	/day		
902. Mortgage Insurance Premium for			months to		
903. Hazard Insurance Premium for			years to		
904.			years to		
905.					
1000. Reserves Deposited With Lender					
1001. Hazard insurance	months@ \$		per month		
1002. Mortgage insurance	months@ \$		per month		
1003. City property taxes	months@ \$		per month		
1004. County property taxes	months@ \$		per month		
1005. Annual assessments	months@ \$		per month		
1006.	months@ \$		per month		
1007.	months@ \$		per month		
1008.	months@ \$		per month		
1100. Title Charges					
1101. Settlement or closing fee	to				
1102. Abstract or title search	to				
1103. Title examination	to				
1104. Title insurance binder	to				
1105. Document preparation	to				
1106. Notary fees	to				
1107. Attorney's fees	to				
(includes above items numbers:					
1108. Title insurance	to				
(includes above items numbers:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111.					
1112.					
1113.					
1200. Government Recording and Transfer Charges					
1201. Recording fees: Deed \$		Mortgage \$		Releases \$	
1202. City/county tax/stamps: Deed \$		Mortgage \$			
1203. State tax/stamps: Deed \$		Mortgage \$			
1204.					
1205.					
1300. Additional Settlement Charges					
1301. Survey	to				
1302. Pest inspection	to				
1303.					
1304.					
1305.					
1400. Total Settlement Charges (enter on lines 103, Section J and 602, Section K)					

Public Reporting Burden for this collection of information is estimated to average 0.25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600; and to the Office of Management and Budget, Paperwork Reduction Project (2502-0265), Washington, D.C. 20503

Good Faith Estimate of Settlement Costs (GFE)

This form provides a reliable estimate of the funds that will be required from you, _____, the borrower(s) to obtain a mortgage using our company as your loan originator. This GFE covers both our charges, the charges of other settlement service providers who perform services that are required by the lender to close your mortgage loan, and applicable State and local government charges and taxes due at settlement.

The following estimate is valid for ___ days [30 days or greater] from the date this form is delivered or mailed to you, if you qualify for this mortgage based on your credit rating, the appraisal, and other appropriate criteria.

THE PROPERTY: You seek to [purchase][refinance] a residential property at (Address) _____

I. OUR SERVICES:

As a loan originator, we perform the services necessary to obtain and process your mortgage loan with our own funds or one or more funding sources. We do not offer loans from all funding sources and we cannot guarantee the lowest price or best terms available in the market. You should compare the prices in the boxes below and shop for the loan originator, mortgage product, and settlement services that best meet your financing needs.

II. LOAN TERMS:

For a mortgage amount of \$ _____, at a [fixed] interest rate of ___%, your APR will be ___%, which includes ___% for mortgage insurance. Your loan term will be [] years with [] monthly payments. Your [initial] monthly payment for principal and interest and mortgage insurance on this loan will be \$ _____. See Section V. for loan terms related to adjustable rate mortgages, applicable prepayment penalties and balloon payments.

III. SETTLEMENT COSTS:

If you choose a different mortgage product or you do not lock your interest rate, some of the estimates listed below may change. The following costs will have to be paid at or before loan closing:

- A. Origination Charges (HUD-1 800 Series)* \$ _____
See Attachment A-1 listing origination charge subtotals for the lender and the broker.
- B. Interest Rate Dependent Payment (200, 900)*** \$ _____
Until you lock in your interest rate these payments may change.
(1) (+) Borrower Payment to Lender for Lower Interest Rate: \$ _____
(2) (-) Lender Payment to Borrower for Higher Interest Rate: \$ _____
- NET LOAN ORIGINATION CHARGE DUE FROM BORROWER (Sum of A and B):** \$ _____
- C. Lender Required and Selected Third Party Services (800, 1300)* \$ _____
These are third party services that are required and selected by the lender, these services must be disclosed to you. See Attachment A-1 itemizing these services.
- D. Title Services and Title Insurance (1100) \$ _____
(1) ___ lender selected*
(2) ___ borrower selected**
- E. Shoppable Lender Required Third Party Services (800, 1300)** \$ _____
These are third party services that are required by the lender but you may shop for (other than title services and title insurance). See Attachment A-1 itemizing these services.
- F. Government Charges - Taxes, State and Local (1200)* \$ _____
Government charges due at the time of settlement assuming a closing on _____.
- G. Reserves/Escrow, (if required) (1000)** \$ _____
- H. Per Diem Interest (900) *** \$ _____
Per Diem Daily Rate \$ _____ at _____ days with an estimated settlement date of _____.
- I. Hazard Insurance (900)*** \$ _____
- J. Optional Owner's Title Insurance (1100)*** \$ _____

TOTAL SETTLEMENT COSTS DUE FROM BORROWER (Sum of A-J): \$ _____

*The charges listed in A, C, D (if selected by the lender), F, and H (daily rate) will not vary except in unforeseeable and extraordinary circumstances as prescribed by federal regulation.
**The charges listed in D (if selected by the borrower), E, and G must not be exceeded at settlement by more than 10% absent unforeseeable and extraordinary circumstances, except when a borrower chooses to purchase a more expensive service.
***The charges listed in B, H, I, and J are not subject to a tolerance, therefore these charges may vary.

IV. OPTIONS TO PAY SETTLEMENT COSTS AND LOWER YOUR INTEREST RATE

A. Cash Payment at Settlement: You may pay all or part of your required settlement costs at settlement using your available funds.

B. Borrowing Additional Funds to Pay Settlement Costs: You may be able to pay all or part of your settlement costs by borrowing the needed funds as part of your mortgage loan principal. If you chose this option, your monthly payments will increase.

C. Pay Settlement Costs Through a Higher Interest Rate: You may be able to lower your settlement costs in exchange for paying a higher interest rate on your mortgage loan. This higher interest rate will increase your monthly payments.

D. You May Lower Your Interest Rate: You may be able to lower the interest rate on your loan by paying additional funds at closing, commonly referred to as "discount points." The reduced interest rate will lower your monthly payments.

The following table will show you how higher and lower interest rates affect your loan and loan payments.

	GFE Terms You Selected	Higher Interest Rate	Lower Interest Rate
New Loan Balance	\$100,000	\$100,000	\$100,000
Interest Rate	7.00%	7.25%	6.75%
Monthly Principal & Interest & PMI	\$700.30	\$717.18	\$683.60
Credit	\$100	\$1,100	N.A.
Discount Points	N.A.	N.A.	\$900
Change in Cash to Close From GFE Terms You Selected		\$1,000 less	\$1,000 more
Change in Monthly P&I from GFE Terms You Selected		\$16.88 more	\$16.70 less

V. ADDITIONAL LOAN TERMS

- This mortgage IS subject to Prepayment Penalty.
- This mortgage IS NOT subject to Prepayment Penalty.
- This mortgage HAS a balloon payment of \$_____, which will be due at the conclusion of the loan term.
- This mortgage DOES NOT HAVE a balloon payment.

Adjustable Rate Mortgage (ARM) Loans

This is an Adjustable Rate Mortgage (ARM) Loan. The initial interest rate for this ARM loan is _____. The first adjustment will occur after _____ months/years and every _____ months/years thereafter for a period of _____ months/years. The interest rate is based on the _____ index and may increase by a margin of _____ percent over this index with each adjustment. The maximum rate increase adjustment per period is _____ and the maximum interest rate that can ever apply to this loan is _____.

Attachment A-1 instructions

Attachment A-1. "Required Use" and Shoppable Third Party Providers.

A. The loan originator must itemize on this form any services that may be independently obtained by the borrower and the estimated cost (based on local market averages for the area where the property is located). The loan originator must also indicate (by checking the appropriate box) any lender-required, lender selected services, along with the estimated charge (based on local market averages for the area where the property is located), and name of the provider.

B. In reporting subtotals for mortgage broker/lender and title agent/title insurance, the loan originator must indicate the names of the service providers and the subtotals of all their charges and fees.

Attachment A-1

A. "Required Use" and Shoppable Third Party Providers

Federal regulation 3500.7(f) requires that if a lender requires the use of a particular provider of a settlement service, other than the lender's own employees, and also requires the borrower to pay any portion of the cost of such service, then the good faith estimate must: (1) state that the particular provider is required; (2) state the providers name; and (3) state the estimated charge. These services are marked as "required use."

The services marked as shoppable on this list that are also required by us to close your loan, however, unlike the "required use" services, we do not require that you use a particular provider. You may want to shop for these services on your own to find the best price and service to meet your needs. However, if you chose to use a company that is more expensive then our selection, then the excess over our estimate below is excluded from the 10% limit on the closing cost estimate given by us. The following lists the services and companies used by us and price estimates for those services.

Req. Use	Shoppable	Service	Provider	Estimate

B. Loan Origination and Title Services Subtotals

Federal regulation 3500.7(c) requires that this Attachment indicate the subtotals of the lender and mortgage broker origination charges; the subtotals of all the charges for title and settlement agent services, including any commissions for title insurance; and the subtotal for the title insurance premium.

Service	Subtotal
Mortgage Broker Charges (HUD 1 line 800)	
Lender Charges (800)	
Title Agent Charges(1101)	
Title Insurance Premium (1108)	

Guaranteed Mortgage Package Agreement

This GUARANTEED MORTGAGE PACKAGE AGREEMENT commits us, _____, the PACKAGER, to provide you, _____, the BORROWER(S), upon your acceptance and payment of a \$ _____ fee within _____ days (30 days or greater) of the date this form is delivered or mailed to you: (1) a mortgage loan on the property described below at a GUARANTEED INTEREST RATE; (2) a GUARANTEED MORTGAGE PACKAGE PRICE for settlement services required by the lender; (3) a firm estimate (within 10%) of the amount of OTHER REQUIRED SETTLEMENT COSTS you will pay at or before settlement; and (4) a sum of the TOTAL ESTIMATED SETTLEMENT COSTS that you will be required to pay at or before settlement to obtain your mortgage.

This Agreement is subject to verification of your credit rating, final property appraisal, and other appropriate underwriting criteria. Other providers offer similar packages, or alternative approaches to mortgage origination. You should shop to find the best packager or originator and mortgage product to meet your needs.

THE PROPERTY: You seek to [purchase][refinance] a residential property at (Address) _____

I. INTEREST RATE GUARANTEE

We guarantee to provide you an [initial] interest rate of _____ on a [fixed rate] [adjustable] mortgage of \$ _____ for [] years with [] monthly payments. Your [initial] monthly payment for principal and interest and monthly mortgage insurance on this loan will be \$ _____. Your APR will be _____%, which includes _____% for mortgage insurance.

This interest rate is guaranteed through settlement if you accept and sign this agreement now, and lock-in this rate by [insert date/time]. If you choose not to accept by this time, we guarantee that the interest rate will not exceed _____% [over] [under] the [prime] [index] rate for _____ days [30 days or greater]. If you do not accept within this period, this offer will expire. If you accept this agreement, but elect not to lock-in the rate at the time of acceptance, we further guarantee that your interest rate will not exceed _____% [over][under] the [prime][index] rate or other standard measurement in lieu of an index when you do lock-in.

II. GUARANTEED MORTGAGE PACKAGE

We will provide you a GUARANTEED MORTGAGE PACKAGE for all settlement services and charges required to complete your mortgage, except those specifically set forth in Section IV below, at a GUARANTEED MORTGAGE PACKAGE PRICE. You will pay this GUARANTEED PRICE in addition to the OTHER REQUIRED SETTLEMENT COSTS itemized in Section III. The precise services for each transaction may vary. See Attachment A-1 for an indication of whether we anticipate pest inspection, lender's title insurance and property appraisal services being included in your guaranteed mortgage package. This guaranteed mortgage package price may include a maximum mortgage insurance premium based upon your assertion of the value of the property and loan amount needed. The mortgage insurance premium may decrease or be removed after full underwriting.

GUARANTEED MORTGAGE PACKAGE PRICE:

\$ _____

III. OTHER REQUIRED SETTLEMENT COSTS

In addition to the GUARANTEED MORTGAGE PACKAGE PRICE, you are or may be required to pay advanced mortgage and hazard insurance premiums, and to establish escrow reserves at settlement. Some of these costs may vary depending on when your loan closes and how much insurance you are required to obtain. No cost may be imposed on you at settlement that is not specifically itemized and estimated in this Section other than the Guaranteed Mortgage Package Price.

- A. Per Diem Interest (HUD-1 900 Series) \$ _____
Per Diem at \$ _____ @ _____ days with an estimated settlement date of _____
- B. Reserves/ Escrow, (if required) (1000)* \$ _____
- C. Hazard Insurance (900) \$ _____

IV. OPTIONAL OWNER'S TITLE INSURANCE (1100) \$ _____

TOTAL ESTIMATED SETTLEMENT COSTS (SUM OF SEC. III, IV, AND V):

\$ _____

* Generally, pursuant to federal regulations, the amount stated in line B may not be exceeded at settlement by more than 10% absent unforeseeable and extraordinary circumstances

V. OPTIONS TO PAY SETTLEMENT COST & LOWER YOUR INTEREST RATE

A. Cash Payment at Settlement: You may pay all or part of your required settlement costs at settlement using your available funds.

B. Borrowing Additional Funds to Pay Settlement Costs: You may be able to pay all or part of your settlement costs by borrowing the needed funds as part of your mortgage loan principal. If you chose this option, your monthly payments will increase.

C. Pay Settlement Costs Through a Higher Interest Rate: You may be able to lower your settlement costs in exchange for paying a higher interest rate on your mortgage loan. This higher interest rate will increase your monthly payments.

D. Lower Your Interest Rate: You may be able to lower the interest rate on your loan by paying additional funds at closing, commonly referred to as "discount points." The reduced interest rate will lower your monthly payments. The following table will show you how higher and lower interest rates affect your loan and loan payments.

	<u>GMPA Terms You Selected</u>	<u>Higher Interest Rate</u>	<u>Lower Interest Rate</u>
New Loan Balance	\$100,000	\$100,000	\$100,000
Interest Rate	7.00%	7.25%	6.75%
Monthly Principal & Interest & PMI	\$700.30	\$717.18	\$683.60
GMPA Price	\$2,600	\$1,600	\$3,600
Change in Cash to Close From GMPA Terms You Selected		\$1,000 less	\$1,000 more
Change in Monthly P,I, & PMI from GMPA Terms You Selected		\$16.88 more	\$16.70 less

VI. ADDITIONAL LOAN TERMS

- This mortgage **IS** subject to Prepayment Penalty.
- This mortgage **IS NOT** subject to Prepayment Penalty.
- This mortgage **HAS** a balloon payment of _____, which will be due on _____.
- This mortgage **DOES NOT HAVE** a balloon payment.

Adjustable Rate Mortgage (ARM) Loans

This is an Adjustable Rate Mortgage (ARM) Loan. The initial interest rate for this ARM loan is _____. The first adjustment will occur after _____ months/years and every _____ months/years thereafter for a period of _____ months/years. The interest rate is based on the _____ index and may increase by a margin of _____ percent over this index with each adjustment. The maximum rate increase adjustment per period is _____ and the maximum interest rate that can ever apply to this loan is _____.

VII. Guaranteed Mortgage Package Agreement:

We are providing this GMPA to you at no cost. If you agree to seek a mortgage loan using our services within 30 days, by signing, dating, and returning this GMPA to us on or before _____, along with a \$_____ application fee, we will be contractually bound to the terms of this GMPA provided that you qualify for this mortgage based on your credit rating, the appraisal, and other appropriate criteria.

Signature of Authorized Agent _____ Date _____ Signature of Lender _____ Date _____
 Signature(s) of Borrower(s) _____ Date _____

Attachment A-1 instructions

Attachment A-1. The packager shall indicate in the chart (either yes or no) whether specific services are anticipated to be included in the guaranteed mortgage package price, such as the pest inspection, lender's title insurance, appraisal, and credit report.

Attachment A-1

This list indicates whether we anticipate specific services being included in your guaranteed mortgage package. Upon request, you are entitled to receive a copy of the reports generated by any of the services listed below that are included in your package.

Service	Anticipated (Y/N)
Pest Inspection (HUD-1 line 1302)	
Lender's Title Insurance (HUD-1 line 1109)	
Property Appraisal (HUD-1 line 803)	
Credit Report	

BILLING CODE 4210-27-C

Dated: July 5, 2002.

John C. Weicher,

Assistant Secretary for Housing-Federal
Housing Commissioner.

Appendix to FR-4727 Proposed Rule Regulatory Flexibility Analysis

Note: This appendix will not appear in the Code of Federal Regulations.

The following Regulatory Flexibility Analysis is Chapter 5 of the rule's Economic Impact Analysis, which is available for public inspection.

Summary of the Rule's Benefits and Impacts on Small Businesses

The proposed RESPA rule offers a dual approach to problems in the settlement market: A new, simplified GFE combined with tolerances on final settlement costs and a new method for reporting wholesale lender payments in broker transactions; and a guaranteed cost approach based on packaging of settlement services. This chapter provides a summary of benefits, costs, transfers, efficiencies, and market impacts of these two approaches, highlighting the effects on small businesses. Section I discusses the new GFE approach while Section II discusses the guaranteed cost approach, or packaging. The chapter also summarizes alternative approaches that HUD considered that potentially impacted small businesses. The format in this chapter is to list the major findings; additional details about the new GFE approach and packaging are available in Chapters 3 and 4, respectively.

I. New GFE Approach

The main benefits, costs, transfers, and market impacts of the new GFE approach are outlined below, along with the specific impacts on small businesses. Since most brokers and settlement service providers are small businesses, the main impacts of the new GFE approach on these entities are highlighted below in subsections I.C, I.D and I.F.

A. Shopping Benefits

The new GFE approach will improve consumer shopping for mortgages, which

will result in better mortgage products at lower prices for consumers.

- The new GFE format in the proposed rule simplifies the process of originating mortgages by consolidating costs into a few major cost categories. This is a substantial improvement over today's GFE, which contains a long list of individual charges that encourages fee proliferation and junk fees, and can often overwhelm and confuse consumers.

- The new GFE contains a statement that clarifies the role that the originator plays in the loan process. It states, for example, that the originator does not distribute the loan products of all funding sources, that the originator does not guarantee the best loan terms, and that the consumer should shop. This will put all borrowers on notice that they should protect their interests by shopping.

- The new GFE also makes cost estimates more certain, by requiring that loan originators adhere to amounts reported on the GFE for major cost categories (such as origination fees), and on additional cost categories give estimates subject to a 10% upper limit, or tolerance. This will reduce the all too frequent problem of borrowers being surprised by additional costs at settlement.

- The new GFE will better inform consumers about their financing choices by requiring that lenders explain the different interest rate and closing cost options available to consumers. For example, consumers will fully understand the trade-offs between reducing their closing costs and increasing the interest rate on the mortgage.

- Altogether, the simplicity and certainty offered by the new GFE should improve comparison shopping for mortgage loans, reduce interest rates and settlement prices for borrowers, and eliminate surprises at settlement. There will be less of the sub-optimal consumer shopping that often characterizes today's mortgage market. In addition, originators will be less able to take advantage of uninformed shoppers.

B. Summary of Estimated Benefits, Costs, Transfers, and Efficiencies

Chapter 3 provided estimates of the magnitude of the benefits, costs, transfers, and efficiencies. Transfers totaled \$6.3

billion to borrowers, with \$4.5 billion coming from originators and \$1.8 billion from third party settlement service providers. In addition to these transfers, there are efficiency gains: Borrowers realize \$826 million in efficiency gains from less time spent shopping; and loan originators and third party settlement service providers experience \$1.630 billion in efficiency gains, some or all of which have the potential to be passed through to borrowers through competition. Costs to originators rise by approximately \$250-\$275 million. These estimates are explained further below. While they are based on specific assumptions (see Chapter 3), they provide a sense of the overall effects of the new GFE approach.

- Under one set of assumptions, Chapter 3 estimates that \$7.5 billion of the \$15 billion in total yield premium payments (YSPs) is not passed through to borrowers to reduce closing costs. If the proposed rule results in half of this \$7.5 billion being recaptured by borrowers, then the annual impact would be \$3.75 billion. While this figure will vary depending on specific assumptions, it provides a sense of how large the effects of the proposed rule could be on the return of YSPs to borrowers as reduced closing costs.

- Direct origination fees are estimated to be \$15 billion (which when added to the \$15 billion in YSPs results in total originator compensation of \$30 billion). In addition to the \$3.75 billion in YSPs recaptured by borrowers, it is also assumed that improved shopping enables borrowers to capture five percent (or \$0.75 billion) of originators' direct origination fees of \$15 billion.

- Chapter 3 estimates that \$18 billion in third-party fees would be subject to increased price pressure as a result of the imposition of tolerances and expanded shopping by originators. While it is difficult to estimate how much tolerances and expanded originator shopping will reduce the \$18 billion, this figure provides a base on which this effect will be felt. The estimates reported below assume that third-party fees would fall by 10 percent, or \$1.8 billion.

- It was estimated that borrowers would save \$6.3 billion in annual settlement