

Page 3 of the HUD-1 Settlement Statement

The third page of the HUD-1/A Settlement Statement (“HUD”) contains the comparisons of fees disclosed on the GFE and the HUD and a restatement of the loan terms which were first disclosed on page one of the GFE. The most important sections on this page are those that deal with the new tolerance levels for fees.

The first category is the **zero tolerance category** or those fees that cannot increase at settlement. These fees include the loan origination fee from line 801, the charge or credit for the interest rate chosen (YSP and points) from line 802 and the transfer taxes from line 1203. The second category is the 10% tolerance category or the fees that in total can increase up to 10% at settlement. These are required services that the lender selects or required services where the borrower chose a provider from the lender’s approved providers list. Government recording charges also fit into the 10% tolerance category. The final fee category contains fees that can change at settlement. These fees include lender required services where the borrower selected a provider that was not on the lenders preferred provider list, the initial deposit for the escrow account and the homeowner’s insurance.

As you can see the first category of zero tolerance fees is included with specific references to the HUD line numbers and then the fee disclosed on the GFE and the actual fee charged and disclosed on the HUD. The fee charged on the HUD cannot increase over the fee disclosed on the GFE.

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	\$6750.00	\$6,250.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-\$3,000.00	-\$3,000.00
Your adjusted origination charges	# 803	\$3,750.00	\$3,250.00
Transfer taxes	#1203	\$1,368.00	\$1,368.00

The second or 10% category includes the government recording charges, the required services selected by the lender and any other fees where the borrower selected their own provider that was not on the lenders approved provider list. The fee is described with a reference to its corresponding HUD number, the amount disclosed on the GFE is disclosed and the actual fee charged at settlement is inserted into the final column. The charges are totaled and if the charges increase by more than 10% the lender is out of tolerance.

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201	\$50.00	\$50.00
Appraisal	# 804	\$220.00	\$250.00
Credit Report	# 805	\$40.00	\$40.00
Tax Service Fee	# 806	\$54.00	\$76.00
Flood Certification	# 807	\$12.00	\$12.00
Up-front Mortgage Insurance Premium	# 902	\$5,066.25	\$5,066.25
Title services & lender’s title insurance	# 1101	\$925.00	\$925.00
Owner’s title insurance	# 1103	\$725.00	\$725.00
Total		\$7,092.25	\$7,144.25
Increase between GFE and HUD-1 Charges		\$52.00	or .8 %

If any of the charges are outside of tolerance the lender must reimburse the borrower for the amount necessary to bring the charges back into tolerance. For the 10% category the lender may issue a credit and have it reflected on page one of the HUD. If the tolerance violation is related to a zero tolerance fee, then the lender should issue an offsetting credit on an open fee line in the numerical series and mark it as paid outside of closing by lender. A lender may also choose to issue a check to the borrower within 30 days following settlement.

The third section of the comparison section discloses the charges that can change. These charges include the initial deposit for the escrow account, daily interest charges, homeowner's insurance and other services where the borrower selected a service provider that was not on the lenders provider list.

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001	\$306.60	\$516.03
Daily interest charges	# 901 \$39.59 /day	\$39.59	\$910.57
Homeowner's insurance	# 903	\$650.00	\$600.00
Survey	# 1302	\$250.00	\$225.00
Pest inspection	# 1303	\$45.00	\$45.00
	#		

The services are described along with corresponding references to the HUD lines. The GFE amounts are disclosed along with the HUD amounts in the far left column. Remember, that the tolerances do not apply for this section, so it is only for the borrower's information.

The last section on the HUD is a restatement of the loan terms that were previously disclosed on the first page of the GFE.