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THE NEW GFE

Prepared by Tim Harrison

Those of you who have gone through the process of financing a home are probably familiar with a **Good Faith Estimate**, or **GFE**. This is a form in your loan documents that tells you exactly how much you are spending and where.

GFE's changed dramatically on January 1st of this year. This was due to the U.S. Department of Housing and Urban Development (HUD) issuing mortgage reforms with the aim of making some loan paperwork standard across the country and making the process easier to understand for consumers. So far, it is only partially accomplishing that goal.

For the first time ever, HUD requires lenders and brokers to provide borrowers with an standard Good Faith Estimate (GFE) that attempts to clearly answer the key questions they have when applying for a mortgage including:

- What's the term of the loan?
- Is the interest rate fixed or can it change?
- Is there a pre-payment penalty should the borrower choose to refinance at a later date?
- Is there a balloon payment?
- What are total closing costs?

The GFE may be revised and reissued (in which event there could be increases in the charges) prior to settlement due to certain "changed circumstances". The HUD defines these circumstances as acts of God, war, disaster or other emergency; information about the borrower or transaction that changes or is found to be inaccurate after the issuance of the GFE (e.g., credit quality, loan amount, property value or other information); newly found information that was not previously relied upon as well as other possible circumstances.

At Broadview Mortgage, we have provided a clear Good Faith Estimate to our clients since we began doing business. With this new mandate, we had to revise our systems and get used to the new GFE, which is three pages long with much more explanatory information. This longer GFE has confused some borrowers, real estate agents, and, yes, even mortgage lenders (including us, at first). If you have any questions about this recent change to mortgage-related laws or any other mortgage-related questions, please let us know and we will do our best to increase your understanding, and our own understanding at the same time. We are hopeful that these changes will force all in our industry to quote accurately, honestly and clearly.

CURRENT RATES

Conforming Loans up to \$417,000

30 yr. Fixed 1 point	4.875%/5.028% APR
15 yr. Fixed 1 point	4.250%/4.510% APR
7 yr. ARM 1 point	4.000%/4.145% APR
5 yr. ARM 1 point	3.625%/3.767% APR
30 yr. FHA 1 point	4.750%/4.891% APR

High Balance Conf. Loans up to county conforming limits

30 yr. Fixed 1 point	5.125%/5.257% APR
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*Rates are subject to change

The Relationship between the Closing Statement (HUD-1) & the New Good Faith Estimate

To further protect consumers, the RESPA reform establishes tolerance levels for changes to costs laid out in the GFE so that no consumer will have to pay a wildly different amount for their actual closing costs than those previously detailed in the Good Faith Estimate. Three separate categories of the tolerance levels were created.

Category I: Charges that cannot change from the GFE to the Closing Statement (HUD-1):

1. Borrower's origination charge
2. Credit or Charge for interest rate selected, once the loan is locked
3. Transfer Taxes

Category II: Charges that can increase in aggregate no More than 10%:

1. Title Services
2. Lender's title insurance
3. Appraisals
4. Credit Reports
5. Tax Service
6. Flood Certification
7. Mortgage Insurance Premium
8. Recording Charges

Category III: Charges that can increase with no cap:

1. Initial Deposits for escrow reserves
2. Daily Interest Charges
3. Homeowners Insurance
4. Lender Required services where the borrower shops for and selects their own 3rd party provider
5. Services the borrower chooses to have that are not required by the lender

