## Title Chat Volume 61 April/May 2008



## CHANGES PROPOSED TO RESPA

HUD has again proposed changes to RESPA and is asking for comment to its proposal. It gave a short timetable to comment and persons interested in the proposal have been asking for the time period to be extended. If you are interested in requesting an extension, you can do so electronically by going to the American Land Title Association's website at <a href="https://www.alta.org">www.alta.org</a>. It has a header where you can enter some basic information and have a request send to your federal representatives in Congress.

## What are the changes?

- 1. There will be an addendum to the HUD-1 that the closing officer would be required to read to the purchaser explaining loan terms, settlement charges, etc.
- 2. The good faith estimate would be expanded to 4 pages with three main categories. Variations with actual closing costs would be allowed within certain tolerances; Lender controlled fees would be subject to zero tolerance; Lender required fees would be subject to a 10% tolerance; no tolerance would be involved where borrower selects their own title services and for escrows and reserves, etc.
- 3. The yield-spread premium would have to be disclosed on the good faith estimate.
- 4. The HUD-1 form would be modified to more lump together items previously disclosed separately on the existing form.
- 5. Lenders would be allowed to use average cost pricing for settlement services.
- 6. The definition of a "thing of value" would be modified to exclude discounts negotiated by settlement service providers, as long as only that price is charged to the borrower and disclosed on the HUD-1.
- 7. The proposal changes the definition of "required use" as related to incentives offered by a seller if a settlement provider is used as opposed by the settlement provider.

We will Chat again as further developments arise on the proposal.

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