



RESPA/ Regulation X New Requirements
January 4, 2010

Effective with all **loan applications taken on or after January 1, 2010**, Ross Mortgage Corporation (RMC) will require the use of the new GFE and HUD1 form. Loans submitted with an application date on or after January 1, 2010 that do not include the new GFE will not be accepted.

The document submission checklists have been updated to include the following:

- Broker issued GFE
- Broker issued Settlement Service Providers List (SSP List)
- Certification of Receipt of GFE and Intent to Proceed form
- Mortgage Broker Fee Agreement (MBFA)

All of the above mentioned documents must be submitted with the initial application and must be complete, accurate and within compliance. In addition to the above mentioned documents, loans will not be accepted if the 1003, Truth in Lending (including the itemization of amount financed) and credit report(s) are not provided, complete, accurate and within compliance.

Please note: This communication is designed to lay out RMC's requirements for accepting new loan applications from our brokers. This communication is not inclusive of all guideline requirements and is in no way intended to provide any legal advice. RMC encourages all brokers to consult their own legal counsel and/or compliance personnel on how these new regulations and guideline changes may affect you and your business.

RMC will review all loan submissions and determine if the broker issued GFE and disclosures are acceptable. If a loan application is accepted into Registration this is in no way a commitment to lend. Loans must still meet all applicable underwriting guidelines. RMC reserves the right at any time to complete an internal quality check and internal audit to ensure compliance of these new regulations.

RMC will not accept any loan where the GFE does not meet the following requirements:

✚ Page 1

- Originator information, Borrower(s), Property address, and Date of GFE are missing or inaccurate
- Borrower(s) - Additional lines may be added to accommodate multiple borrowers.
- Property address must be valid- any address marked as "tbd" will result in rejection
- Important Dates, Number 2- Must be at least 10 business days from GFE print date
- Summary of Loan section (or any other part of GFE) does not match initial 1003, TIL or MBFA
- If the GFE indicates the loan is locked, the information on the GFE must match the lock information from Optimal Blue (our online pricing engine) and the locked rate must match "Your Initial Interest Rate"
- Initial GFE, SSP, TIL and Servicing Disclosure were not issued within 3 business days of application



RESPA/ Regulation X New Requirements
January 4, 2010

Page 2

- Block A
 - Box 1 “Our Origination Charges” - amount must meet or exceed amount charged under RMC’s current fee schedule (*see below for more details)
 - Box 2 “Your Credit or Charge...” - Option 1 may **NEVER** be selected by a broker. Only Option 2 **OR** Option 3 may be selected. Under no circumstance may more than one option be selected in Box 2.
 - Box 2- If Option 2 is selected, amount must be *negative*. If Option 3 is selected, amount must be *positive*.
 - “Your Adjusted Origination Charges” - The amount in Block A (inclusive of RMC’s fee) must not exceed 5% of the total loan amount. For loan amounts below \$75,000 RMC’s fee will not be included in the 5% test.
- Block B
 - Box 3 “Required Services that we select” - this block must include all required services known at the time of application which are selected by the loan originator (Broker or RMC). Including (but not limited to) any Mortgage Insurance Premiums as required by FHA, VA, RD, etc. Additional lines may be added to show all appropriate charges.
 - Box 4 “Title Services and Lenders Title insurance” - RMC will accept title services and lenders title insurance charges that are estimated high, to help stay within 10% tolerance at closing
 - Box 5 “Owners Title Insurance” - On all Purchase transactions, the amount must be entered regardless of who (buyer or seller) is paying for the fee
 - Block 6 “Required services that you can shop for” - If services are listed in Block 6 and/or if the applicant is permitted to shop for services disclosed in Blocks 4 and 5, RMC will require submission of a copy of the *completed* Settlement Service Provider List provided to the borrower with the GFE. If the borrower is not permitted to shop for these services, the section should be left blank and the SSP List must still be provided (and signed by borrower) but can indicate N/A. Additional lines may be added to show all appropriate charges.
 - Block 7 “Government recording charges” - may be based on an average for the locality. RMC will accept recording charges that are estimated high, to help stay within 10% tolerance at closing.
 - Block 8 “Transfer Taxes” - On all Purchase transactions, the amount must be entered regardless of who (buyer or seller) is paying for the fee. Since this amount cannot increase by any amount at closing, RMC will accept transfer taxes that are estimated high.
 - Block 11 “Homeowner’s Insurance” - Must include an estimate on all Purchase loans. Additional lines may be added to show all appropriate charges.



RESPA/ Regulation X New Requirements
January 4, 2010

✚ Page 3

- “Tradeoff Table”- RMC requires the first column (the loan in this GFE) to be completed. The additional columns do not need to be completed.
- “Shopping Cart”- RMC will NOT require this section to be completed

✚ No alterations can be made to the GFE form except where indicated above (boxes 3, 6 and 11 may have additional lines to accommodate all charges). A signature line may NOT be added to the GFE.

*The amount disclosed in Block A, Box 1, of the GFE, labeled “Our origination charges”, must be greater than the amount of the fees charged by RMC Wholesale (example \$750 Underwriting fee), which will be netted out of funds and payable to RMC at settlement. If this amount does not meet or exceed the amount charged under RMC’s current fee schedule, the loan will not be accepted. In addition, the amount in “Your Adjusted Origination Charges” must meet or exceed amount charged under RMC’s current fee schedule. If RMC’s fees were not accurately disclosed, it will be deducted from the origination charge therefore reducing compensation back to the broker. If RMC accepts the submission, RMC and the broker will be bound to the fees disclosed on the initial GFE, subject to any changed circumstances.

Any change changed circumstance, requires a “Request for Change in Loan Terms/ Fees” form to be completed. This form will notify RMC of any changes in regards to the loan and will request RMC to issue a revised GFE. A revised 1003 and supporting data must accompany each request. If a changed circumstance occurs, only those fees affected by the changed circumstance may change. All changed circumstance requests must be made within one (1) business day of receipt of information relating to the change event. This is to allow RMC ample time to issue a re-disclosed GFE and Settlement Service Providers List (if applicable) within the three (3) business day requirement. If the request form is not received by RMC within one business day, any increases in fees that may occur, cannot be charged to the borrower and will result in a broker RESPA credit at closing. If the estimates within the GFE are inaccurate and a valid changed circumstance does not occur, the broker is bound to the amounts shown on the last disclosed GFE.

A “Request for Change in Loan Terms/ Fees” form must be completed if the loan is changing from “float” to “locked”, if the borrower does not lock the interest rate within the time period designated on the GFE, or the lock expires. A new GFE must be issued **and only** the following charges may change:

- Charge or credit (points) for the specific interest rate chosen (Block A, Box 2)
- Adjusted origination charges (Block A)
- Daily interest charges (Box 10)
- Interest rate-related loan terms, such as monthly amount owed

After any instance where a revised GFE is issued, the borrower must express intent to proceed with the loan application and a new Intent to Proceed form must be provided. RMC will send an Intent to Proceed form with the revised GFE. The borrower must return the form to RMC in order to proceed with the loan.



RESPA/ Regulation X New Requirements
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Tolerances (allowable increases between disclosed and actual fees at closing) on changes to settlement charges between the final GFE and HUD-1 will be defined in three categories:

- ✚ Charges that **cannot increase** at settlement:
 - Origination charges- Origination charges include the broker's origination charges and compensation as well as all RMC fees.
 - Credit (YSP) or charge (points) for a specific interest rate selected (after the interest rate is locked)
 - Adjusted origination charges (after the interest rate is locked)
 - Transfer taxes
 - Or Boxes 1, 2, 8
- ✚ Charges that **cannot increase in the aggregate by more than 10%** at settlement:
 - Required settlement services that the lender selects, such as appraisal services
 - Title services and lender's title insurance (if selected by lender or if the borrower uses a company identified on the Settlement Services Provider List)
 - Owner's title insurance (if the borrower uses a company identified on the Settlement Services Provider List identified)
 - Required settlement services (such as Pest Inspections) that the borrower selects from the Settlement Services Provider List
 - Government recording charges
 - Boxes 3-7
- ✚ Charges that **can increase** at settlement:
 - Required settlement services that the borrower can select, if the borrower selects a service provider not listed on the Settlement Services Provider List
 - Title services and lender's title insurance , if the borrower selects a service provider **not** listed on the Settlement Services Provider List
 - Owner's title insurance , if the borrower selects a service provider **not** listed on the Settlement Services Provider List
 - Initial deposit for borrower escrow account
 - Daily interest charges
 - Homeowner's insurance

We will continue to post updates as new information or guidance becomes available. RMC suggests reviewing the Frequently Asked Questions provided on HUD's website. Below is a link for your convenience.

<http://www.hud.gov/offices/hsg/ramh/res/resparulefaqs.pdf>