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RESPA ROUNDUP

Welcome to the first edition of RESPA Roundup. The Office of RESPA and ILS will periodically issue the RESPA Roundup to enhance communications with consumers and industry stakeholders by providing information on RESPA topics chosen specifically to address the most pressing issues.

Interpretive Rule regarding Home Warranty Companies

On June 25, 2010, HUD's Office of General Counsel published an [Interpretive Rule](#) clarifying circumstances under which home warranty companies (HWCs) may compensate real estate brokers and agents in compliance with Section 8 of RESPA. The following briefly describes the interpretation:

- 1) a payment by an HWC for marketing services performed by real estate brokers or agents on behalf of the HWC that are directed to particular homebuyers or sellers is an illegal kickback for a referral under Section 8;
- 2) depending on the facts of a particular case, an HWC may compensate a real estate broker or agent for services when those services are actual, necessary and distinct from the primary services provided by the real estate broker or agent, and when those additional services are not nominal and are not services for which there is a duplicative charge;
- 3) the amount of compensation from the HWC permitted under Section 8 for such additional services must be reasonably related to the value of those services and cannot include compensation for referrals of business.

Comments on the [Interpretive Rule](#) are due on July 26, 2010 and can be made electronically through the [Federal eRulemaking Portal](#).

The Good Faith Estimate

Please look here for clarifications to issues arising with the Good Faith Estimate.

I. Limited Shopping List

Recently, we have been asked to address concerns about whether estimated charges should be disclosed in Block 3 or Block 6 of the GFE

when a loan originator allows a consumer to shop, but only from a limited list of service providers.

If the loan originator limits the applicant's choice to a particular settlement service provider, or to a limited list of settlement service providers, the charge must be disclosed in **Block 3**.

While this situation is similar to one in which a governmental loan program requires a borrower to select an "approved" service provider, the answer is different because limitations placed on a borrower by a governmental loan program are fundamentally different from limitations placed on a borrower by a loan originator (see 4/2/10 FAQs "GFE – Page 2" on page 27, #1).

II. "Your Loan Term Is"

Another question that we've received relates to what should be disclosed in the "Your loan term is" line on the GFE and HUD-1, the amortization period or the note term?

The Office of RESPA and ILS believes that the **term stated in the note** should be disclosed in the "Your loan term is" line in the "Summary of your loan" box on page 1 of the GFE and on the HUD-1 on page 3. The monthly payment that results from the amortization period and the balloon due date are disclosed elsewhere in the "Summary of your loan" box on the GFE and HUD-1 forms.

III. Consumer Does Not Use Service

Finally, we get the following question frequently: If a service that was listed on the GFE was not purchased, what should go into the borrower's column on Page 2 of the HUD-1 and on the comparison chart on Page 3 of the HUD-1?

If the consumer did not purchase a service that was listed on the GFE (usually owner's title) there should be nothing entered in that line on Page 2 of the HUD-1 and the estimate of the charge should not appear on the comparison chart on Page 3 of the HUD-1.

Contact Us

To contact us with questions on RESPA, send an email to hsg-respa@hud.gov or call us at 202.708.0502.

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