

## GFE FAQ

*Answers to the most common questions about the new GFE that became effective January 1, 2010.*

**Q. Why did the GFE change?**

A. The changes are intended to help consumers make more informed decisions about mortgages. The new GFE and HUD-1 provide greater detail for borrowers, and have very strict requirements for originators and lenders. Reunion will review each GFE to determine if it is acceptable. Once a broker's GFE is accepted, we will be bound to the fees disclosed on the GFE.

**Q. What are the primary changes to the new GFE?**

A. There are five key changes: Clear disclosure of the YSP as a borrower credit; strict limitations on what can change and by how much (e.g., changes will need to benefit the borrower); disclosure will be required within three business days of the borrower's application (the "application" has been redefined—see below); you cannot require verification of the GFE information or charge any fees other than for a credit report until after the consumer receives the GFE and agrees to move forward with the application; the borrower has 10 business days to show intent to move forward (see below).

**Q. What is the new definition of a borrower application?**

A. If you receive the minimum six (6) items of information verbally or in a written format, you are considered to have received an application. The minimum information is defined as follows: Borrower's name, borrower's monthly income, borrower's Social Security Number to obtain a credit report, property address, estimate of value of property and loan amount. Reunion will need these six items uploaded in Reunion Direct, plus the broker's GFE, 1003 and Reunion's *Fee Sheet* in order to issue the TIL. Reminder: Include a signed *eCommunication Disclosure Consent* form so we can email the disclosures!

**Q. What documentation is needed to show a borrower's intent to move forward with the application?**

A. Reunion will assume that the broker received confirmation of the borrower's intent to move forward when you submit the GFE to us.

**Q. Which section of the new GFE is most critical?**

A. The Origination Charge (Block 1) must be VERY accurate, and normally should not increase once the GFE has been issued. The Settlement Charges (Blocks 3-11) must also be accurate, because if you underestimate a fee with a tolerance violation, the difference will be netted from the broker's origination fee on a Borrower Paid transaction. If the transaction is Lender Paid, the difference cannot be netted from the broker's origination fee.

**Q. What are Reunion's fees?**

A. Our fees are posted on a *Fee Sheet* located on the *Forms* page of our website. The broker must complete and submit the *Fee Sheet* with the GFE.

**Q. How do I get paid?**

A. Your compensation will no longer come from the YSP, because HUD defines the YSP as a credit to the borrower. You must now quote your compensation as an origination fee (either a flat fee or a percentage of the loan amount), and include it in the Origination Charge (Block 1), along with your other fees and Reunion's fees. Determine how much you want to make on your loans—it can be the same flat fee for every loan! Note: On a Lender-Paid Plan, Block 1 must equal the Lender Paid compensation **plus** Reunion's fees.

**Q. What do we enter in the Important Dates section?**

A. See below for each of the four line items:

*Line 1: Interest rate available through \_\_\_\_\_.*

Enter the date the application was taken if floating. If locked, enter the Lock Expiration Date or earlier.

*Line 2: Settlement charges available through \_\_\_\_\_.*

Always use a date that is 10 business days after the date of the GFE **or** later.

*Line 3: Must go to settlement \_\_\_\_ days after lock.*

Always use 10 calendar days.

*Line 4: Must lock rate at least \_\_\_\_ days before settlement.*

Always use "N/A".

**Q. Does the GFE expire?**

A. Yes, after 10 business days if the borrower does not acknowledge his intent to move forward with the loan. The GFE is still valid within the 10 business days, even if the floating interest rate changed.

**Q. Where do the Paid Outside of Closing (POC) fees go on the new GFE?**

A. The POC fees need to be included as part of the lump sum total under "Our Origination Charge" (No. 1), regardless of who pays them. They will be detailed on the HUD-1 to indicate the exact payer and that the fee was paid outside of closing.

**Q. Can we provide a list of Settlement Service providers to the borrower?**

A. There are additional restrictions if you provide a list of providers to the borrower. Therefore, Reunion will not provide a list of Settlement Service providers. If the broker allows the borrower to shop for a service, then the broker must provide a list. However, no list is required for services in which the borrower is not allowed to shop (yet these fees will be subject to a 10% tolerance).

**Q. What fees get listed under *Your Charges for All Other Settlement Services (No. 3)*?**

A. All third-party fees that are paid to an outside service provider should be listed here, e.g., Appraisal, Desk Review, Field Review, Flood Certification, Credit Report, Tax Service, Survey, Subordination, HOA, UFMIP and VA Funding Fee. The fees shown must be actual and not adjusted, estimated or inflated. **Note:** FHA does not allow the borrower to be charged for 2nd appraisals, Desk or Field Reviews. These fees should be included in the Origination Charge (Block 1).

**Q. If we know in advance that a fee will be increasing, when should we implement it on the GFE?**

A. Reunion recommends that you immediately implement the new fee, and quote the higher amount on the GFE. For example, HUD is increasing the Upfront Mortgage Insurance Premium (UFMIP) for all new FHA case assignments as of April 5, 2010. If the UFMIP is under disclosed on the GFE, the lender and/or broker cannot simply pay the difference. FHA guidelines require the *entire* amount to either be paid in cash or financed. Most borrowers finance the UFMIP as they do not have these funds in cash. Therefore, if a financed UFMIP was under disclosed on the GFE, neither the borrower, lender nor broker could pay the difference and the loan would be declined.

**Q. Who is responsible for re-disclosing, if needed, after the lender accepts the GFE?**

A. Reunion will re-disclose when the loan changes from floating to locked, and if a valid changed circumstance occurs (as long as documentation has been provided to support the change). Only the item(s) that changed will be updated on the revised GFE, and all other fees must remain the same. If tolerance violations occur at settlement, Reunion will coordinate with the settlement agent to revise the HUD-1 and reimburse the borrower within 30 days.

**Q. Did the broker maximum compensation cap change, since the borrower credit is required to assist borrowers with closing costs?**

A. Yes. HUD removed the maximum 1% origination fee for FHA loans on January 1, 2010. Reunion's origination cap for broker compensation on Conventional loans is 3.5%, FHA is 4.5%, and VA is 4%. The maximum borrower credit on all programs is 3% unless otherwise noted. All loans must also pass all predatory lending, agency, federal and state checks, regardless of Reunion's maximum compensation cap. Note: On a Lender-Paid Plan, the maximum broker compensation on any loan is 3.5%.

**Q. What options are available for a "no cost" loan if the borrower credit ends up exceeding all settlement fees?**

A. You have three options with Reunion: Apply a principal reduction to the principal balance (maximum \$500); reduce the interest rate and credit accordingly; or have the credit remain the same, resulting in a cash-out transaction (this option may be limited by specific product guidelines).