

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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The purpose of the Lenders Update is to provide a “heads-up” of new legislation and regulations affecting the mortgage lending industry. We provide summaries of new matters so our readers can judge whether the subject impacts their operations. We recommend that our readers review the entire new statute, regulation or other material in detail where it is relevant to them. For convenience, the applicable matter can be easily identified in the summary, and, where possible, a link is provided.

The Update includes information available to Alt & Associates as of January 4, 2010.

HUD ISSUES NEW MORTGAGEE LETTER

On December 30, 2009, HUD issued its revised Mortgagee Letter 2009-53 which contained some of the awaited clarifications or information relative to RESPA and changes in FHA policy.

First the Letter acknowledges that FHA no longer limits the origination fee to 1% amount for standard mortgage insurance programs. This does not apply to Home Equity Conversion Mortgages or 203K Rehabilitation mortgages.

HUD clarifies that the fees and charges for origination related services in box 1 of the new Good Faith Estimate (GFE) represent all compensation to the lender and/or broker and often stated as a lump sum may exceed the origination fee cap set for government

programs. To the extent that the government program or state law requires that these fees be broken down, this can be done on the HUD-1 through the use of the empty 800 lines.

HUD cautions that all lenders must continue to charge fair and reasonable fees so that borrowers are not overcharged. The Commissioner retains the authority to set limits on fees and the Letter promises additional guidance on this subject.

The GFE now must be included in the case binder on the right hand side when the loan is submitted for endorsement. Where more than one GFE is issued, all must be included in the case binder.

The Letter also discusses the disclosure of Seller Credits on the HUD-1. The Letter says that the actual charge the seller is paying is to be displayed in the borrower's column with a credit to offset the charges listed in Section J, Summary of Borrower's Transactions on line 204 to 209 with a reduction to the seller's proceeds in Section K. The Letter then says that when the seller contributes to more than one expense, the seller credits shown on the HUD-1 must reflect the lump sum payment. We think this is unclear and ambiguous and are requesting further advise from HUD on this issue.

Our monthly Lenders Update is published via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Only those persons who have requested this newsletter are on our mailing list. Should you have colleagues who wish to receive this complimentary service, please have them e-mail us at sherry.edwards@altandassociates.com

ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past two decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations. If you have any questions please contact:

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