

# **Not Everyone Loves the New GFE Regulations**

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A year has gone by since The Department of Housing and Urban Development (HUD) instituted the new Good Faith Estimate form in an effort to make a homebuyers' journey through the mortgage process a bit easier, but many in the mortgage industry are not happy.

The form has gone through many different looks through the years, varying from lender to lender and software platform to software platform. Now, it has expanded to three pages and includes one "lump sum" for all lender charges.

The new standardized GFE must contain the exact language specified by HUD, which HUD says "consolidates closing costs into major categories to prevent junk fees and display total settlement costs prominently on the first page so the consumer can easily compare loan offers."

The most significant changes to the new HUD-1 Settlement Statement were made with the intention of having consumers be able to easily compare their settlement charges on the GFE with those on the HUD-1.

HUD claims that the new regulations, which went completely into effect on April 20, 2010, is saving borrowers an average of \$700. However, the goal was to make things clearer and a lot of confusion still exists.

One common complaint is that the new GFE does not fully explain to the consumer some of the more vital information the consumer is looking for, such as how much money they need to take to the closing.

Another is that the Total Estimated Settlement Charges listed on the new GFE forms does not include the down payment, which inevitably results in thousands of dollars more than what is expected.

There's also a fear that consumers cannot distinguish between mortgage brokers and correspondent lenders.

The redesigned GFE also now requires consumers who are shopping for a loan to complete multiple loan applications with multiple mortgage providers, have their credit pulled by multiple mortgage providers, and possibly pay upfront fees to each of these providers.

HUD's goal is to help consumers become better shoppers for settlement services. After all, right on the top of the first page it reads "Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan."

The new GFE goes a long way in doing this by forcing people to not infer general conclusions from their observations but actually apply rules and regulations.

While the mortgage industry may have complaints, the process was designed to help those searching for the loan and HUD believes they have done so.

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