



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

December 30, 2009

MORTGAGEE LETTER 2009-53

TO: ALL APPROVED MORTGAGEES

SUBJECT: Real Estate Settlement Procedures Act (RESPA) and FHA Related Policies

This Mortgagee Letter clarifies how fees and charges for Federal Housing Administration (FHA)-insured loans must be disclosed on the new Good Faith Estimate and HUD-1 Settlement Statement, consistent with changes to the Real Estate Settlement Procedures Act (RESPA). The new forms must be used for mortgages that originated on or after January 1, 2010.

Disclosure of Origination Charges

As a result of regulatory changes to 24 CR § 203.27, FHA no longer limits the origination fee to 1 percent of the mortgage amount for its standard mortgage insurance programs. However, both Home Equity Conversion Mortgage (HECM) and Section 203(k) Rehabilitation Mortgage Insurance Programs retain their statutory origination fee caps.

Mortgagees are instructed that the sum of all fees and charges from origination-related services must be included in Box 1 on Page 2 of the new Good Faith Estimate (GFE). The figure in Box 1 represents all compensation to the lender and/or broker for originating the loan and will most often exceed the specific origination fee caps set for government programs. Although the new GFE requires that lenders provide an aggregated cost for origination services, if a government program or state law requires that lenders provide more detailed information to specify distinct origination fees and charges, lenders may itemize these charges in the empty 800 lines of the HUD-1, to the left of the column.

FHA expects that lenders will continue to charge fair and reasonable fees for all origination services and the agency will continue to monitor to ensure that FHA borrowers are not overcharged. Furthermore, the FHA Commissioner retains the authority to set limits on the amount of any fees that mortgagees charge borrowers for obtaining an FHA loan and the agency does intend to issue additional guidance on the subject.

### Good Faith Estimate

In addition to the standard documentation requirements found in [HUD Handbook 4155.2 3.C](#), mortgagees must now include the GFE in the case binder on the right hand side when the loan is submitted for insurance endorsement. When more than one GFE is issued, all prior GFEs must also be contained in the case binder. This additional documentation will also become a part of the pre-endorsement review conducted by FHA staff (Direct Endorsement Program) or the lender ([Lender Insurance Program](#)).

### Seller Credits on the HUD-1

The new regulations, similar to previous practices, do not require or permit the presentation or disclosure of seller-paid credits on the GFE. On the HUD-1, the charge will be displayed in the borrower's column on the HUD-1 and a credit to offset charges will be listed in Section J, Summary of Borrower's Transaction on lines 204-209 with a reduction to the seller's proceeds in Section K, Summary of Seller's Transaction on lines 506-509. When the seller contributes to more than one expense, the seller credit shown on the HUD-1 must reflect the lump sum payment. For more information about RESPA rules, please visit [www.hud.gov/respa](http://www.hud.gov/respa).

If you have any questions regarding this Mortgagee Letter, please call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens  
Assistant Secretary for Housing-  
Federal Housing Commissioner