

Borrower's Guide to the Good Faith Estimate (GFE)

The Good Faith Estimate itemizes all settlement costs that can be charged in connection with a mortgage transaction. This guide was created to help borrower's better understand the information contained on the Good Faith Estimate (GFE).

Borrowers will receive an initial GFE however; changes to the mortgage application during the loan process may result in a new GFE. The updated GFE provided to borrowers will reflect any changed information.

The settlement costs shown on the GFE are the total estimated costs that are typically paid by the borrower and do not differentiate between any charges that may be paid by others on the borrowers behalf.

The following is a step-by-step guide to each section of the GFE:

Page 1 of the GFE

Name of Originator: The name of the broker company or the name of the financial institution lending the money to purchase or refinance the borrower's home.

Borrower: The name of the borrower, the address of the property being financed, and the date GFE was prepared.

Purpose: Informs the borrower what is covered in the estimate of settlement charges and where they can go for additional information.

Shopping for your loan: The GFE and shopping chart (on page 3) can be used by the borrower to compare several different loan options.

Important dates: This section summarizes information about the interest and settlement charges.

1. shows the time period that the initial interest rate is available
2. shows the time period that the estimated settlement charges are available
3. shows the length of time the interest rate is available after the loan is locked-in
4. shows the number of days prior to settlement that the borrower must lock-in the interest rate

Summary of your loan: This chart shows the key terms of the mortgage. It indicates whether or not the interest rate, mortgage balance or payments can change during the term of the loan. It also indicates if the loan has a penalty for paying off early and if the borrower must pay off a large portion of the loan before maturity.

Escrow account information: An escrow account may be required for the mortgage. The funds in this account are used to pay for insurance, real estates taxes and mortgage insurance premiums, if applicable. The escrow account is funded by adding approximately one-twelfth (1/12) of the projected annual payment for these items to the monthly principal and interest payment.

Summary of your settlement charges: This section provides a summary of the settlement charges that are detailed (on page 2) of the GFE. If any of the settlement charges are to be paid by a lender, broker or seller credit, this will not be reflected on the GFE. Any credits the borrower may receive will be disclosed on the HUD-1 settlement statement.

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Understanding your estimated settlement charges

Section A Your Adjusted Origination Charges: These are the fees that are charged by the mortgage broker or lender for making the loan. These fees do not include any fees paid directly to third parties i.e. an appraisal or credit report.

Box 1: Our Origination Charge includes all broker and lender fees excluding any charges the borrower will pay for the specific rate chosen (discount points).

Box 2: Your Credit or Charge (discount points) for the specific rate chosen will show either the broker's yield spread premium (fees paid to the broker directly by the lender) as a credit to the borrower or discount points as a charge to the borrower.

Section B Your Charges for All Other Settlement Services: This section includes information on Settlement Service Providers and the estimated cost of the services. It identifies those services that are required for the closing of the mortgage. Please note the following:

Box 3: Required Services that we select - are those services for which the broker or lender will select the service provider.

Boxes 4 - 6: Include all title services, title insurance and other services that are required and for which the borrower may select the service provider.

Box 7: Government recording charges, including state and local fees to record the loan and title documents.

Box 8: Transfer taxes, are for state and local taxes on mortgages and home sales.

Box 9: Initial deposit on the escrow account, shows the initial amount of money that will be collected from the borrower at closing to place in the escrow account for recurring charges such as property taxes, homeowner's insurance and mortgage insurance.

Box 10: Daily interest charges, is the interest on the loan from the date of settlement until the first day of the next month or the first day of the normal monthly payment cycle.

Box 11: Homeowner's Insurance shows an estimate of the applicable insurance premiums. Before the borrower closes, they will be required to provide evidence of insurance and the actual cost of the policy or policies.

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Understanding which charges can change at settlement. This section contains an informative chart which helps the borrower understand which charges can and cannot change at closing, including the maximum allowable amount of any increases.

Using the tradeoff table: The second two columns in this table can be completed by the loan originator in order to demonstrate the tradeoff between 2 loan scenarios, one with a higher interest rate and one with a lower interest rate; if the borrower would like lower settlement charges they may choose to select a loan with a higher interest rate. If they would prefer a lower interest rate, they would select a loan with higher settlement charges.

Using the shopping chart: The shopping chart can be used in conjunction with the GFE to compare loan offers from different lenders

If your loan is sold in the future: This section informs the borrower that the lender may sell the loan after settlement. Should the loan be sold, it will not have any effect on the loan or the charges which were paid at settlement.