

NATIONAL ASSOCIATION OF REALTORS®

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CENTER FOR RESPONSIBLE LENDING

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AMERICAN LAND TITLE ASSOCIATION

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June 12, 2008

The Honorable Steve Preston
Secretary
U.S. Department of Housing and Urban
Development
451 7th Street S.W.
Washington, DC 20410

Regulations Division
Office of General Counsel
Department of Housing and Urban
Development
451 Seventh Street, SW, Room 10276
Washington, DC 20410-0001

Re: Docket No. FR-5180-P-01, Real Estate Settlement Procedures Act (RESPA): Proposed Rule to Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs

Dear Secretary Preston:

The National Association of REALTORS® (NAR), Center for Responsible Lending (CRL), and the American Land Title Association (ALTA) support efforts to provide consumers with a better understanding of their loan terms and settlement costs. NAR, CRL, and ALTA recommend that HUD improve consumer disclosures by reforming the Good Faith Estimate (GFE) under the Real Estate Settlement Procedures Act (RESPA) to provide clearer understanding of loan terms and settlement costs.

We are writing to encourage you to continue the important consensus-building approach that emerged from the 2005 HUD Roundtables as HUD addresses comments to its proposed RESPA rule. While we might have various concerns about other elements of the proposed RESPA rule, we have worked closely together on ways to improve consumer disclosures by enhancing the GFE. This joint effort has resulted in broad agreement between NAR, CRL, and ALTA that a more summarized, more easily understandable GFE that highlights key loan terms and payment information is needed.

NAR and ALTA have agreed to a summary GFE, the format and content of which have been reviewed by numerous members of those organizations who deal with real estate transactions on a day to day basis. This form will accompany the comments NAR and ALTA submit on the proposed RESPA rules. On the subject of Yield Spread Premiums, our organizations


approach the issue from different perspectives. NAR and ALTA are neutral on whether the YSP should have a separate line item in the summary GFE, while CRL believes it should be a highlighted term. As a result, CRL is submitting its own summary GFE in its comments.

Our organizations also share the belief that a summarized GFE should be accompanied by a more detailed GFE with explanations of each subcategory of fees to help consumers understand more fully the services and accompanying fees for which they are being charged. NAR, CRL, and ALTA stand ready to work with HUD and everyone involved in the housing industry to help restore consumer confidence in mortgage lending, and we appreciate your long-standing commitment to homeownership. We would welcome the opportunity to meet with you in the near future to further discuss how we can collaborate going forward.

Attached to this letter are NAR's draft Summary and Complete GFEs and CRL's draft GFE.

If you have any questions or concerns, please do not hesitate to contact Joe Ventrone, NAR's Vice President, Regulatory and Industry Relations ((202) 383-1095; jventrone@realtors.org), Michael Calhoun, CRL's President ((919) 313-8513; mike.calhoun@responsiblelending.org), or Edward Miller, ALTA Vice President, Public Policy ((202) 261-2936; ed@alta.org).

Sincerely yours,



Richard F. Gaylord
2008 President, National Association of
REALTORS®



Michael D. Calhoun
President
Center for Responsible Lending



Gary L. Kermott
2008 President
American Land Title Association

cc: The Honorable Brian Montgomery
Assistant Secretary Housing
Federal Housing Commissioner

Attachments:

1. NAR Draft Summary Good Faith Estimate
2. NAR Draft Full Good Faith Estimate
3. CRL's Draft Good Faith Estimate

Summary of Guaranteed Good Faith Estimate (Discussion Draft)

Name & Address of Borrower:	Name & Address of Lender or Originating Company:	
Property Location:	Date:	
LOAN TERMS		
Interest rate: fixed <input type="checkbox"/> adjustable <input type="checkbox"/>	%	
If adjustable, maximum yearly increase and maximum total increase	%	
Loan Amount	\$	
Principal and Interest	\$	
Estimated Taxes	\$	
Estimated Insurance	\$	
Total Estimated Monthly Payment	\$	
If adjustable, maximum yearly increase and maximum total increase	\$	
	\$	
Loan Duration	years	
If loan does not fully pay off, amount still owed when loan ends	\$	
Prepayment penalty: <input type="checkbox"/> yes <input type="checkbox"/> no		
How computed:		
Maximum amount:	\$	
SETTLEMENT CHARGES - Summary of Attached Good Faith Estimate		
<small>"Series" numbers correspond to line designations on the Good Faith Estimate and the HUD – 1 Settlement Form</small>		
Series 800 - Lender Fees: (Origination fee, discount fees, etc.)	\$	
Series 800 - Mortgage Broker Fee	\$	
Series 800 - Fees in Connection With Loan: (Appraisal, Credit Report, Etc)	\$	
Series 900 - Required Advance Payments: (Advance interest, insurance, etc.)	\$	
Series 1000 - Reserves (Escrow) Required at Closing: (Property insurance and taxes, etc.)	\$	
Series 1100 - Title Charges (Title search, title insurance, attorney fees, etc.)	\$	
Series 1200 - Government Fees (Recording fees, taxes, etc.)	\$	
Series 1300 - Additional Settlement Charges (Survey, pest inspection, warranty, etc.)	\$	
TOTAL SETTLEMENT COSTS – Cash Required at Closing:	\$	

Guaranteed Good Faith Estimate (Discussion Draft)

Name & Address of Borrower:	Name & Address of Seller:	Name & Address of Lender or Originating Co.
Property Location:	Settlement Agent:	
	Place of Settlement:	Settlement Date:
Total Loan Amount:	Interest Rate:	Term:

Settlement Charges

801. Origination Fee: These are lender fees to cover the administrative costs in processing the loan. They are often expressed as a percentage of the loan and can vary among lenders.
802. Loan Discount: Points or discount points are a one-time fee by the lender or broker to pay for a particular interest rate. Each "point" is equal to one percent of the mortgage amount.

Other Items Payable in Connection with the Loan: These are fees that the lender charges to process, approve and make the mortgage loan.

Series 800 fees are guaranteed for 30 days from date this document is signed.			Paid by Borrower
801. Loan Origination Fee	%	to:	\$
802. Loan Discount	%	to:	\$
803. Appraisal Fee		to:	\$
804. Credit Report		to:	\$
805. Lender's Inspection Fee			\$
806. Mortgage Insurance Application Fee		to:	\$
807. Assumption Fee			\$
808. Flood Certification Fee		to:	\$
809. Mortgage Broker Fee	%	to:	\$
810. Tax Service Fee		to:	\$
811. Processing Fee		to:	\$
812. Underwriting Fee		to:	\$
813. Wire Transfer Fee		to:	\$
814.			\$

900. Items Required By Lender To Be Paid In Advance: Interest here is assessed from the date of closing to the end of the month. If no date has been set at the time of issuance of this document, an estimate is provided. The actual amount at closing will be the amount of days remaining in the month times the daily rate of interest based upon the rate of the mortgage. Premiums (lines 902-904) represent advance payment for required insurance.

Series 900 Fees are only estimates. If amounts change, a revised document will be issued.				Paid by Borrower
901. Interest from _____ to _____		@ \$ _____ /day		\$
902. Mortgage Insurance Premium for _____	months to _____			\$
903. Hazard Insurance Premium for _____	months to _____			\$
904. Flood Insurance Premium for _____	months to _____			\$
905. VA Funding Fee				\$

1000. Reserves Deposited With Lender (Escrow Account Deposits): These fees identify the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is restricted in the amount that can be collected. The individual item deposits may overstate the amount that can be collected.

Series 1000 Fees are only estimates. If amounts change, a revised document will be issued.			Paid by Borrower
1001. Hazard insurance	_____ months	@ \$ _____ per month	\$
1002. Mortgage insurance	_____ months	@ \$ _____ per month	\$
1003. City property taxes	_____ months	@ \$ _____ per month	\$
1004. County property taxes	_____ months	@ \$ _____ per month	\$
1005. Annual assessments	_____ months	@ \$ _____ per month	\$
1006.	_____ months	@ \$ _____ per month	\$
1007.	_____ months	@ \$ _____ per month	\$
1008.	_____ months	@ \$ _____ per month	\$

Guaranteed Good Faith Estimate (Discussion Draft)

Continued (Page 2)

1100. **Title Charges.** The following fees are not charged by your lender, but by the title company and/or other providers of title-related services you decide to use. The services identified are either required in connection with the loan or can be expected in your transaction. The estimates shown are based on:

the lender's experience in the community where the property is located, or estimates provided by [Name of Title Company], a company [] affiliated [] not affiliated with the lender.

You are free to shop for these services and are not required to use any particular title company.

Series 1100 Fees are only estimates.		Paid by Borrower
1101. Settlement or closing fee	to:	\$
1102. Abstract or title search fee	to:	\$
1103. Title examination fee	to:	\$
1104. Title insurance binder	to:	\$
1105. Document preparation fee	to:	\$
1106. Notary fees	to:	\$
1107. Attorney's fees	to:	\$
1108. Title insurance binder	to:	\$
1109. Lender's coverage	\$	\$
1110. Owner's coverage	\$	\$
1111. Commitment fee	to:	\$
1112. Endorsement fee	to:	\$
1113. Wire fee	to:	\$
1114. Electronic doc. Fee	to	\$

1200. Government Recording and Transfer Charges: These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201). Transfer taxes, which in some localities are collected whenever property changes hands or a mortgage loan is made can be quite large and are set by state and/or local governments. City, county and/or state tax stamps may have to be purchased as well (lines 1202 and 1203).

Series 1200 Fees are only estimates. If amounts change, a revised document will be issued.				Paid by Borrower
1201. Recording fees:	Deed \$; Mortgage \$; Releases \$	\$
1202. City/county tax/stamps:	Deed \$; Mortgage \$		\$
1203. State tax/stamps:	Deed \$; Mortgage \$		\$
1204.				\$
1205.				\$

1300. Additional Settlement Charges:			
1301. Survey		to	\$
1302. Pest inspection to		to:	\$
1303. Home Warranty Fees		to:	\$
1304. Elevation Certificate		to:	\$
1305.			\$

Total Costs to Close this Transaction: \$

 Loan Officer Date

 Applicant Date

 Applicant Date

Attachment 3: CRL's Draft Good Faith Estimate

Name & Address of Borrower:	Name & Address of Lender:
Property Location:	Name & Address of Broker, if any:

GOOD FAITH ESTIMATE: USE THIS TO COMPARE LOAN TERMS AND CHARGES.

LOAN TERMS	
1. <u>Loan Amount:</u>	\$
2. <u>Loan Term:</u>	
CAREFULLY REVIEW the following IMPORTANT provisions of your loan.	
3. Annual Percentage Rate (cost of credit per year, including interest rate, points, fees, and other costs) Can your interest rate rise? <input type="checkbox"/> yes <input type="checkbox"/> no If yes, earliest date interest rate can rise:	% [date]
4. (a) Starting Base Monthly Payment (principal, interest, and mortgage insurance): (b) Can Base Monthly Payment in crease? <input type="checkbox"/> yes <input type="checkbox"/> no If yes, Maximum Base Monthly Payment:	\$ per month \$ per month
5. Estimated Required Additional Housing Expenses (property taxes, homeowner's insurance, flood insurance, and homeowners association/condo fees). -->Find out if these fees will be included (escrowed) with your monthly mortgage payment. If not, you must pay them in addition to your monthly payment. -->Do not compare loans based on this estimate because the actual expenses are not determined by your lender and may be different from these estimates. This figure is included so your Total Estimated Maximum Monthly Housing Costs can be calculated (Box 6).	\$ per month
6. Total Estimated Maximum Monthly Housing Costs (Equal to 4(a) + 5 if the monthly payment cannot increase or 4(b) + 5 if the monthly payment can increase.)	\$ per month
7. Any payment due at end of loan term? <input type="checkbox"/> yes <input type="checkbox"/> no <input type="checkbox"/> possibly "Possibly" means that the loan lets you choose to make lower monthly payments than the base monthly payment listed above.	\$
8. Any prepayment penalty? <input type="checkbox"/> yes <input type="checkbox"/> no (Payment to lender if you pay off loan early, sell home, refinance, etc.) Time period penalty applies:	\$ max. amount [months/years]
9. Your interest rate lock period is: You must close the loan within this number of days to be guaranteed this interest rate.	days

SETTLEMENT CHARGES	
Summary of Estimated Charges, shown in more detail on reverse side	
<i>You can shop or negotiate for lower settlement charges.</i>	
10. TOTAL SETTLEMENT CHARGES <u>Portion included in the Loan Amount shown above</u> (you will pay interest on this amount): \$ <u>Portion you must pay at closing:</u> \$	\$
11. <u>Lender Fees</u> (see "800" section on next page):*	\$
12. <u>Other Fees or Required Payments</u> (see itemization on next page):	\$

MORTGAGE BROKER COMPENSATION	
13. MORTGAGE BROKER FEES (see line 813 on next page) paid by you directly (included in settlement charges listed above):	\$
+ additional fee received by broker from lender and paid by you through increased loan interest rate (not included in settlement charges listed above):	\$ _____
Total Broker Fees:	\$

* THESE "LENDER FEES" ARE GUARANTEED UNTIL CLOSING OR _____ (WHICH IS 30 DAYS FROM TODAY'S DATE), WHICHEVER COMES FIRST. OTHER FEES MAY CHANGE, BUT YOU WILL RECEIVE WRITTEN NOTICE OF ANY SUCH CHANGE AT LEAST 3 DAYS BEFORE CLOSING.

FOR MORE INFORMATION ABOUT LOANS OR FOR NAMES OF FREE HOUSING COUNSELORS IN YOUR AREA, CONTACT THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AT (800) 569-4287 OR VISIT ITS WEBSITE AT [HTTP://WWW.HUD.GOV](http://www.hud.gov).

Further Detail of Estimated Settlement Charges		
<i>This section is designed to compare to the Form HUD-1 (the "Settlement Statement") you receive prior to closing.</i>		
<p>800. Origination Points or Fees (line 801) These are fees that the lender may charge in connection with the loan. Each "point" is equal to one percent of the loan amount.</p> <p>Discount Points (line 802): This fee, paid to your lender, should lower your interest rate. Make sure that the one-time cost of the points is a fair tradeoff for actual interest rate savings, using the "Loan Comparison Chart" at the bottom of this page.</p> <p>Mortgage Broker Fees (line 813): These are fees that the mortgage broker might charge in connection with the loan.</p>		
Series 800 fees are guaranteed through the date of settlement or for 30 days from date this document is signed, whichever comes first.		Paid by Borrower
801. Loan Origination Fee	%	to:
802. Loan Discount	%	to:
803-812 Other Fees		to:
813. Mortgage Broker Fee	%	to:
813a. From Borrower	%	
813b. From Lender	%	
Subtotal Series 800 fees		\$
<i>The remaining fees on this form are estimates. Your lender is required to give you written notice of any change in these estimates at least 3 days before closing.</i>		
900. Items Required By Lender To Be Paid In Advance: –The lender will keep interest payments, will pay insurance premiums to insurance companies, and will pay any VA funding fee to the U.S. Dept. of Veterans Affairs.		\$
1000. Reserves Deposited With Lender (Escrow Account Deposits): These fees show the maximum payment of taxes and/or insurance and other items that must be put into an escrow account, a special account that the lender will set up for the borrower so the lender can make certain payments on the borrower's behalf. The lender is not allowed to collect more than the amounts listed. Actual payments may be less than the maximum amounts listed.		\$
1100. Title Charges: The lender does not set these fees. The title company or agent charges these fees in connection with the title insurance policy. You do not have to use the lender's recommended title company and may shop for your own.		\$
1200. Government Recording and Transfer Charges: These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201 on Settlement Statement). Some state and/or local governments collect transfer taxes whenever ownership of property changes or a mortgage loan is made; they also may require the purchase of city, county and/or state tax stamps (lines 1202 and 1203). The lender collects these fees but does not set them.		\$
1300. Additional Settlement Charges (survey, pest inspection, home warranty fees, elevation certificate).		\$
Total Costs to Close this Transaction:		\$

[Insert Loan Comparison Chart, incorporating NCLC's changes, here.]