



## **Submission and Procedure Overview Effective January 1, 2010**

Many of our forms and procedures will change on January 1, 2010 as we implement the new RESPA guidelines. This announcement is not intended to provide a comprehensive examination of these guidelines but rather to address only the changes to our procedures and forms specifically related to RESPA compliance.

Please refer to HUD's RESPA website, [www.hud.gov/offices/hsg/ramh/res/respa\\_hm.cfm](http://www.hud.gov/offices/hsg/ramh/res/respa_hm.cfm), for more detailed information on RESPA guideline changes.

Approved JMAC brokers will be responsible for complying with all new RESPA regulations and disclosure requirements. Failure to provide complete, accurate and timely information and documentation on a transaction as required by the new RESPA guidelines may result in (1) rejection of the loan submission package or (2) partial or full forfeiture of any broker rebate and/or broker origination charges (as a credit to the borrower) at time of closing.

### **Under Regulation X, the broker's receipt of the following 6 items constitutes an "application":**

1. Borrower's name
2. Borrower's monthly income
3. Borrower's social security number to obtain a credit report
4. Property address
5. Estimate of value of the property
6. Loan amount

### **Changed Circumstances**

A "changed circumstance" is defined as follows:

- Acts of God, war or disaster
- Changes or inaccuracies in information relating to the borrower or the transaction that was relied upon in providing the GFE
- Changes to the loan amount or estimated value of the property
- New information regarding the borrower or transaction not relied upon when the initial disclosure was provided

The Loan Originator must notify JMAC Lending within the required time frame of three business days of receiving the changed circumstance information.

- If a changed circumstance occurs, only those fees affected by the changed circumstance may change.
- If the estimates within the GFE are inaccurate and a valid changed circumstance does not occur, the loan originator is bound to the amounts shown on the last disclosed GFE.
- If a changed circumstance occurs, the Loan Originator must notify JMAC Lending to re-disclose within three business days after receipt of the information regarding the changed circumstance or the ability to re-disclose (and increase a fee) is lost.
- Loan Originators must retain documentation relating to the changed circumstance and fee change, if re-disclosed, for three years.

A revised GFE must be issued upon a lock event (locking the rate or expiration of the lock) and may be issued in the event the borrower requests a change in the mortgage loan that was identified in the GFE and that changes the settlement charges or terms of the loan.

### **Fee Disclosure and Accuracy**

The accuracy of initial GFE is critical.

- All broker origination fees, including broker compensation, disclosed on the GFE should match those fees listed on the **Mortgage Broker Fee Agreement (MBFA)** form. **Under no circumstances can the broker compensation increase (block 1) from the amount disclosed on the initial GFE.**
- It is essential that the MBFA and the GFE align throughout the loan process and at loan closing.
  - Brokers are responsible for ensuring that the MBFA is kept current with the GFE should any changed circumstance occur that impacts the fees on the MBFA.
  - Maximum Broker Compensation on the MBFA can only increase if the Loan Program or Product changes; the Rate changes as the result of a lock or re-lock; or if the borrower requests changes to the loan amount or terms. The broker compensation can never increase from the amount disclosed on the initial GFE.
  - With the RESPA amendments, the MBFA is critical as the new GFE does not provide a breakdown of broker fees and compensation. The MBFA supplements the GFE – and it will help ensure the borrower can clearly determine broker fees and compensation.

For all services where the borrower may select the provider, Loan Originators must provide borrowers with a list of Settlement Service Providers in the borrowers' geographic area along with the costs for the services.

## **Fee Tolerances**

As a reminder, tolerances (allowable increases between disclosed and actual fees at closing) on changes to settlement charges between the final GFE and HUD-1 will be defined in three categories beginning January 1, 2010:

- 1) Charges that cannot increase at settlement: (Block 1, 2, and 8)
  - a) Origination charges: Origination charges include the loan originator's origination fees, processing, administration and lender fees (block1)
  - b) Discount or premium points for a specific interest rate selected (block 2)
  - c) Transfer taxes (block 8)
  
- 2) Charges that cannot increase in the aggregate by more than 10% at settlement: (Block 3-7)
  - a) Required settlement services that the lender selects, such as appraisal services (block 3)
  - b) Title services and lender's title insurance (if selected by lender or if the borrower uses a company identified on the Settlement Services Provider List) (block 4)
  - c) Owner's title insurance (if the borrower uses a company identified on the Settlement Services Provider List identified). (block 5)
  - d) Required settlement services (such as Pest Inspections) that the borrower selects from the Settlement Services Provider List (block 6)
  - e) Government recording charges (block 7)
  
- 3) Charges that can increase at settlement: (block 4-6, only if borrower shop outside SSP list and acknowledge by borrower)
  - a) Required settlement services that the borrower can select, if the borrower selects a service provider not listed on the Settlement Services Provider List (block 6)
  - b) Title services and lender's title insurance, if the borrower selects a service provider not listed on the Settlement Services Provider List (block 4)
  - c) Owner's title insurance, if the borrower select a service provider not listed on the Settlement Services Provider List (block 5)
  - d) Initial deposit for borrower escrow account (block 9)
  - e) Daily Interest charges (block 10)
  - f) Homeowner's insurance (block 11)

**Please note:** For 1 and 2 above, should a changed circumstance occur that directly impacts the fee effected by the change circumstance and a revised GFE be provided within three business days after receipt of the information regarding the changed circumstance, the tolerance is determined by reference to the fees disclosed on the most recent GFE as compared to the fees at closing. Only fees directly impacted by the change circumstance can be added and/or increased and re-disclosed. This excludes BROKER ORIGINATION CHARGE ( BLOCK 1) which can never increase.

## **JMAC Forms**

The following forms will be available in on the **Resources** section at [www.jmaclending.com](http://www.jmaclending.com) and must be used for your loan applications dated on or after January 1, 2010.

- Certification and Acknowledgement Form \*
- Itemization of Fees (Detail) or from Calyx\*
- Settlement Services Provider's List or from Calyx\*
- Listing of Fees and Credits
- Mortgage Broker Fee Agreement \*
- Changed Circumstance Cover Letter
- Appraisal Fee Chart
- Submission Checklist \*
- Submission Form \*

**(\* ) required as part of the loan submission package**

## **Pre-lock (for premier broker only)**

**All documents need to upload plus: GFE, MBFA, SSP...**

## **Loan Submission Requirements**

The following documents must be complete and present for all applications dated on and after January 1, 2010. NOTE: Your initial GFE to the borrower will be the binding GFE. As the lender, we require all sections of the GFE to be complete, accurate and correspond to the Mortgage Broker Fee Agreement, loan terms and fees noted on the Loan Submission Form and the Loan Application. The loan submission will be rejected by JMAC as invalid if the GFE, Loan Submission Form, Loan Application and Mortgage Broker Fee Agreement are not in agreement and any other form required at submission.

**Please refer to the submission checklist for all required documents for submission.**

## **Loan Submission Form**

The Loan submission form must be completed in its entirety.

- Your initial Good Faith Estimate will be compared to the fees and loan terms on the Loan Submission form to determine acceptance and allocation of origination and other changes.
- An authorized representative of your company must
  - Certify that appropriate disclosures were provided to the borrower as required by the applicable regulatory agencies.
  - Acknowledge completion, accuracy and timing of the GFE provided to the borrower
  - Acknowledge and authorize JMAC to deduct the dollar amount that exceeds any allowed tolerance at closing/settlement (based on a comparison of the final GFE to the HUD) from your rebate and/or origination charges and credit it to the borrower.
- The Loan submission form will be considered incomplete and unacceptable without the signature of an authorized representative of your company.

## **Good Faith Estimate**

Your initial GFE to the borrower will be the binding GFE.

- The new GFE must be provided to the Borrower for any application taken beginning January 1, 2010.
- If you provide the new GFE for an application taken before January 1, 2010, you must follow our new procedures in their entirety.
- The GFE must be provided to the Borrower within 3 business days of receipt of the application.
- **Your initial GFE to the borrower will be the binding GFE.** As the lender, we require all sections of the GFE to be complete, accurate and correspond to the loan terms and fees noted on our Loan Submission Form and the Loan Application. Your loan submission package will be rejected by JMAC as invalid if the GFE, Loan Submission Form and Loan Application are not in agreement.
- Changes to settlement charges may be limited and subject to a valid changed circumstance as defined by RESPA. Refer to Change Request section below.

- **GFE Page 1 Sections (See Understanding the Good Faith Estimate Document):**

- Important Dates
  - (1): The interest rate will float until we accept the Loan Submission; select an interest rate date equal to the GFE date.
  - (2): Select a date no earlier than 10 business days or later than 30 calendar days from the GFE date. \*\* exclude Sunday \*\*
  - (3): Select a lock period we offer based on the transaction type.
- Summary of Loan
  - The loan amount, loan term, initial interest rate and monthly payment must be complete, accurate and match the Loan Application and Loan Submission
- Escrow Account Information
  - Escrow account is not offered if LTV is  $\geq 90\%$  for conforming or if DU does not allow it.

- **GFE Page 1 Summary of Settlement Charges and Page 2 Sections A and B:**

All costs associated with the loan transaction must be grouped and consolidated in the appropriate cost categories with a single estimated total for each category.

- **Section A:**
  - (1): Origination Charge - Must include all Lender fees (including JMAC underwriting fee noted on the submission form) and Broker origination points, processing fees and administrative fees.
  - (2): Credit or Charge for specific Interest Rate (*Only check one box*):
    - Box One: Do Not Use
    - Box Two: Check and complete with any applicable lender rebate amount and interest rate. If 0, put 0.
    - Box Three: Check and complete with any applicable lender points. If 0, put 0.
- **Section B:**

- (3): Required Services – Must include JMAC appraisal, tax service, flood certification, and UFMIP for FHA (if applicable) and Broker ordered service fees. Refer to submission form for fee amounts.
- (4): Title services and lender’s title insurance – Include all title and settlement agent service charges and lender title insurance fees  
[**NOTE:** JMAC will review and manage fees and fee changes in this section based on an assumption that the Broker selected the service provider and/or the Borrower used a company indentified by the Broker UNLESS you provide evidence, such as a letter from the Borrower, acknowledging their selection of the service provider.]
- (5) Owner’s title insurance and (6) Required Services: Complete as required. [**NOTE:** JMAC will review and manage fees and fee changes in this section based on an assumption that the Broker selected the service provider and/or the Borrower used a company indentified by the Broker UNLESS you provide evidence, such as a letter from the Borrower, acknowledging their selection of the service provider.]
- (7) Government recording charges and (8) Transfer Taxes: Include all charges regardless of customary practice of payment in part of in full by Seller.
- (9) Initial deposit for escrow account.
- (10) Daily interest charges: complete as required.
- (11) Homeowner’s insurance: complete as required.

### **Change Request (Loan Terms and/or Fees)**

We will be bound to fees disclosed on your initial GFE except in certain situations where there are “changed circumstances” associated with the loan. In the event a changed circumstance occurs, we will re-disclose a revised GFE within 3 business days of evaluating the changed circumstance information. If a revised GFE is provide, any increase in charges will be limited to only those charges where the changed circumstance resulted in a higher change.

- The definition of “Changed Circumstances” includes:
  - Acts of God, war, or disaster
  - Information particular to the borrower or transaction relied on in providing the GFE is found to be inaccurate or changes after the GFE was provided, including information about the credit quality, the amount of loan, the estimated value, or other information used to provide the GFE.
  - New information regarding the borrower or transaction that was not relied upon for issuing the GFE
  - Other circumstances, including the need for flood insurance
- You must notify JMAC within 24hr of any known changed circumstances, including borrower requested changes, which would result in an increased fee. **You must not re-issue a GFE at any time after the initial GFE.**
- You must use the new JMAC Change Request Form to notify us of any such change and include any and all applicable increased fees and charges. Any revised GFE disclosed by JMAC based on your Change Request will then become the binding GFE. To request a “Change Circumstance”, upload the documents to the document type Changed Circumstance via your pipeline login.
- An authorized representative of your company must
  - Acknowledge completion and accuracy of the form
  - Acknowledge and authorize JMAC to deduct any dollar amount that exceeds any allowed tolerance at closing/settlement (based on a comparison of the GFE to the final HUD) from your rebate and/or origination charges and credit it to the borrower.
- You will be notified of the receipt and result of any Change Request

- In the event JMAC determines that an increased fee is supported by the evidence of a changed circumstance, we will re-disclose a revised GFE. A copy of the re-disclosed GFE will be forwarded to you for your records.
- Any re-disclosed revised GFE issued by JMAC based your Change Request will then become the binding GFE.

**JUST A REMINDER, ORIGINATION (BLOCK 1) NEVER CHANGE EVEN CHANGE IN CIRCUMSTANCES**

**DOC Request / Closing Confirmation**

You must use the new Doc Request Form (Submission Form) and List of Fees and Credits for any loan application subject to the 2010 RESPA guidelines. To be considered complete, the Doc request form must include the following:

- The preliminary HUD-1 issued by the closing/settlement agent complete with all specific settlement charges including but not limited to:
  - List of Fees
  - 1100 Title and Settlement Charges
  - 1200 Government Recording and Transfer Charges
  - 1300 Additional Settlement Charges

**HUD-1 Settlement Statement**

We will provide the closing/settlement agent the Good Faith Estimate charges to be itemized in the Comparison of Good Faith Estimate (GFE). The dollar amount that exceeds any allowable tolerance will be deducted from your fees in Block 1 charges and credited to the borrower at closing.