

# TITLE ISSUES

NOVEMBER/DECEMBER 2000

VOLUME 9, NUMBER 6

## *Will We Ever RESPA in Peace???*

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The Real Estate Settlement Procedures Act, as amended, (12 U.S.C. S2601, et.seq.) (hereinafter referred to as RESPA), as implemented by Regulation X (24 CFR S3500.1, et. Seq.) was enacted to give prospective home buyers detailed information on costs associated with the closing of the purchase of residential real property. Its consumer protection function was later expanded to cover the subsequent refinancing of the same property. RESPA's objective is to provide a better understanding of the home purchase, refinancing and settlement process. It was enacted to protect consumers from unnecessary charges by requiring sufficient disclosures early in the process. The Act focuses on the issue of excessively high and unwarranted settlement costs and other related matters in order to protect the unsuspecting consumer. In addition to the disclosure requirement, the Act prohibits payment of kickbacks, referral and unearned fees. The Act also prohibits any requirement of the use of specific title companies. Moreover, it regulates mortgage escrow accounts and the assignment, sale or transfer of loans. Finally, it provides for dispute mechanisms and jurisdiction for enforcement. This article will explain and summarize pertinent RESPA provisions and will emphasize the importance of compliance.

Residential real estate closings (sometimes referred to as "settlements") are regulated by statutes, regulations and informal rulings. RESPA was enacted in 1974<sup>1</sup> and became effective in 1975. There have been numerous revisions of RESPA over the years. The Act imposes significant paperwork on lenders who, in turn, may delegate those responsibilities to agents, namely title companies. To implement RESPA, the Act authorizes the promulgation of regulations by the U.S. Department of Housing and Urban Development. The regulations, first promulgated in 1976, are known as

Regulation X.<sup>ii</sup> Much like RESPA, numerous revisions and corrections were made over the years and the changes were integrated into the latest version of Regulation X. In 1996 HUD issued revisions dealing with payments for referral of settlement services, affiliated business arrangements (formerly known as controlled business arrangements) and computerized loan origination systems.<sup>iii</sup> HUD has also issued a number of informal responses as guidance to the compliance with RESPA and Regulation X. Although the informal opinions are not legally binding, they are helpful in understanding the intent of the Act. HUD also publishes interpretive rules and statements of policy<sup>iv</sup> to further clarify its intent.

### COVERAGE

RESPA originally covered only transactions involving first lien, federally related mortgage loans. A "federally related mortgage loan" is any loan secured by a lien on residential real estate and for which the lender is a federally regulated or insured financial institution. The Act initially excluded loans secured by subordinate liens (second mortgages) and refinance loans. The 1992 Amendments to RESPA expressly provided for the inclusion of the excluded loans.<sup>v</sup> Ultimately, in 1994, Regulation X was likewise amended to allow for the inclusion. Thus, unless expressly exempted, all transactions involving a lien under a "federally related mortgage loan" on residential property are now covered. Even if a transaction involves a federally related lender, it may still be exempt from RESPA. Regulation X exempts the following transactions from RESPA.<sup>vi</sup>

- a. loans on property of 25 acres or more
- b. business, commercial, or agricultural loans
- c. temporary financing loans such as construction

loans; unless they (1) may be converted into permanent financing (2) mature in more than two years, and (3) are made to persons other than a bonafide builder

- d. loans on vacant land
- e. assumptions without lender approval
- f. loan modifications
- g. secondary market transactions; unless they are mortgage broker transactions that are table-funded which involve (1) contemporaneous advance of loan funds and (2) an assignment of the loan to a third party<sup>vii</sup>

The statute does not apply to commercial property and applies only to residential real property. Residential real property includes fee simple, life estate, remainder and leasehold interests in property improved with or to be improved with a structure designed principally for occupancy by one to four families, including condominium units, manufactured homes<sup>viii</sup> or individual cooperative units. However, it does not include mobile homes, unless the mortgage also secures the land<sup>ix</sup> on which the mobile home is located.

RESPA applies only to residential property, but there may be some gray area with respect to mixed use property. For example, in 1980 a court held that compliance with RESPA was required on the sale of a building with a commercial use on the lower floor since the upper floors were being renovated and were intended primarily for residential purposes.<sup>x</sup>

It is the federally related nature of a loan that allows RESPA to govern transactions involving real property. A lender is federally related if it is regulated by or its accounts are insured by a federal agency. These lenders include commercial banks, savings bank, savings and loan associations and credit unions.

## **DISCLOSURES**

RESPA intends to place the consumer in a position of knowledge with full information to determine whether settlement costs are the lowest available. In an effort to achieve that goal, RESPA requires lenders to provide the borrower at the time of loan application with the following:

### a. Special Information Booklet.

The Special Information Booklet was developed by HUD to detail the buyer's rights under RESPA. The Act requires that a lender or mortgage broker deliver a copy of the booklet within three business days of receipt of a written loan application. The booklet discusses the home purchase process, loan transactions, the nature and purpose of each cost associated with the transaction, unfair practices that the borrower should be aware of, the manner in which the applicant may best shop for high quality, low-cost settlement services, and roles of the various settlement service providers.

### b. Good Faith Estimate.

The Good Faith Estimate is a disclosure that reflects "all charges which the borrower would normally pay or incur at or before settlement based upon common practice in the locality of the mortgaged property".<sup>xi</sup> HUD has promulgated a suggested form to be used in the preparation of the Estimate. The Good Faith Estimate must be delivered to the applicant no later than three business days after the lender receives the loan application. The items listed on the estimate should include fees associated with the following:

1. Loan origination
2. Loan discount
3. Mortgage broker fee
4. Interest
5. Appraisal
6. Credit report
7. Document preparation
8. Interest
9. Tax related service
10. Hazard insurance premium
11. Reserves
12. Home inspection
13. Pest inspection
14. Survey
15. Attorney fees
16. Settlement fee
17. Title insurance
18. Various title related fees
19. Recording fees
20. City/county/state transfer stamps

c. HUD-1 and HUD-1A Settlement Statement.

The HUD-1 is a settlement statement used in connection with the closing of the sale of residential real estate. The HUD-1A settlement statement was generated to cover closings of subordinate liens (second mortgages) and refinance loans. The settlement agent (frequently a title company) is responsible for providing the borrower with a completed HUD-1 or HUD-1A settlement statement at completion of the loan closing. RESPA intended the settlement statement to be similar throughout the country. Reproduction of the form must conform to sequencing, terminology, and numbering prescribed by HUD.<sup>xii</sup> The regulation permits certain deletions, insertions and variations. So long as the changes fit within the terms of the regulation, no prior approval from HUD is necessary.<sup>xiii</sup> The borrower must be permitted to examine the statement during the business day immediately preceding the date of closing. The Settlement Statement must clearly itemize all charges to be paid by the borrower and the seller in connection with settlement whether they are paid at closing or outside of closing. The settlement statement required under the Act must contain specific information in the various sections described as follows:

The first page of the settlement statement contains three main portions. The first portion, located at the top of the form, is identified as Sections A-I. The remaining two portions, located at the bottom of the form, are divided into two columns and identified as Sections J and K. The second page of the form is identified as Section L and also divided into two columns. The left hand column pertains to borrower's items and the right hand column pertains to seller's items.

Section A: Business name and/or logo of the settlement agent or lender.

Section B: Items 1-5: Identification of the various loan types.

Item 6: Escrow or file number

Item 7: Loan number

Item 8: Case number of loan

Section C: Notice regarding settlement cost.

Section D: Name of borrower and current mailing address, including zip code.

Section E: Name of seller and current mailing address, including zip code.

NOTE: In a refinance, Section E should be left blank.

Section F: Name of lender, current mailing address and zip code.

Section G: Street address and zip code of the property being closed.

Section H: Name of settlement agent, address and zip code; address and zip code of the place of settlement.

Section I: Date of settlement and date of disbursement.

Section J summarizes the borrower's transaction and Section K summarizes the seller's transaction. Each section contains a set of numbered subsections which call for itemization of the debits, credits and net balances for the respective parties.

Section J: Summary of borrower's transactions.

Line 101 - 112 and 120: borrower's debits:

Line 101: Gross sales price of the property, excluding personal property.

Line 102: Gross sales price for personal property excluded from line 101.

Line 103: Total charges to borrower detailed in Section L in the left hand column in line 1400 (described below).

Line 104 and 105: Additional amounts owed by borrower or paid by seller prior to closing and to be reimbursed by borrower at closing.

Line 106 through 112: Proratable items paid in advance by seller and reimbursed by borrower at closing i.e. assessments.

Line 120: The total of lines 101 - 112

Line 201 - 220: Borrower's credits:

Line 201: Earnest money.

Line 202: Gross amount of the new loan.

Line 203: Amount of the Assumption of the existing loan, if applicable.

Line 204-209: Items paid by or on behalf of borrower, i.e. pre-payments to lender.

Line 210-219: Seller's charges that have not yet been paid and to be paid by borrower, i.e. real estate taxes and utilities.

Line 220: The total of lines 201-219.

Line 301-303: Borrower's net balances:

Line 301: Total from Line 120.

Line 302: Total from Line 220.

Line 303: Total amount due from the borrower at closing (usual occurrence) or total amount payable to the borrower at closing.

Section K: Summary of seller's transactions:

Lines 401-412 and 420: Seller's credits:

Line 401: Gross sales price of the property sold, excluding personal property.

Line 402: Gross sales price of personal property excluded in line 401.

Line 403: not used.

Line 404 and 405: amounts owed by borrower or paid by seller to be reimbursed by borrower at closing.

Note: See Section J Lines 104 and 105. Items credited to the seller must be debited to the borrower.

Line 406-412: Items paid in advance by seller to be reimbursed by borrower.

Note: See Section J Lines 106-112. Items credited to the seller must be debited to the borrower.

Line 420: the total of lines 401-412.

Lines 501-520: Seller's debits:

Line 501: Earnest money held by the real estate broker which exceeds the fee or commission paid to the broker.

Line 502: Total charges to seller detailed in Section L in the right hand column in line 1400 (described below).

Line 503: Assumption of an existing loan by borrower.

Line 504 and 505: Payoffs of existing loans.

Line 506-509: Deposits paid by borrower to seller or other party and other liens that must be paid off.

Line 510-519: Same as lines 210-219. Any credits to borrower must be debited to seller.

Line 520: Total of Lines 501-519.

Lines 601-603: Seller's net balances:

Line 601: Total from Line 420.

Line 602: Total from line 520.

Line 603: Proceeds to seller (usual occurrence) or amount paid by seller at closing.

Section L: Settlement charges:

Line 700-704: Sales/Broker's commission.

Line 700: Sales commission charged by broker. If commission is based on a percentage of the sales price include (1) sales price (2) percentage and (3) dollar amount of total commission.

Line 701 and 702: Amounts split between two or more real estate agents, if applicable.

Line 703: Amount of commission paid at closing.

Line 704: Additional amounts due real estate agent, if applicable.

Line 801-812: Items payable in connection with loan.

Line 801: Loan origination fee for processing or originating the loan, also known as points, if applicable.

Line 802: Loan discount charge by lender to lower the rate of the loan, also known as points or discount points (one time charge).

Line 803: Appraisal fee.

Line 804: Credit report fee.

Line 805: Lender's inspection fee.

Line 806: Private mortgage insurance application fee.

Line 807: Assumption fee.

Line 808-812: Additional items in connection with new loan, i.e., mortgage broker fees, tax service, flood certification, processing, underwriting, application, delivery and wire transfer fees.

Lines 901-905: Items required by lender to be paid in advance.

Line 901: Interim interest. Amount to be paid or credited depends on when the first payment of the loan is to be made.

Line 902: Private mortgage insurance premium.

Line 903: Hazard insurance premium.

Line 904-905: Additional items required by lender to paid, i.e., VA funding fees.

Line 1001-1008: Reserves.

Line 1001-1007: Escrow account deposits for hazard insurance, mortgage insurance, city property taxes, county property taxes and assessments.

Line 1008: Aggregate accounting adjustments.

Line 1101-1113: Title charges.

Line 1101-1113: Title related fees, such as closing fee, title searches, title exams, title insurance, attorney fees, etc.

Line 1201-1205: Government recording and transfer charges.

Lines 1201-1205: Recording fees for deed, mortgage, releases and other documents and state county and city transfer tax fees.

Line 1301-1305: Additional settlement charges.

Line 1301-1305: Additional fees for survey, pest inspection and other inspection fees.

Line 1400: Total settlement charges.

Line 1400: total settlement charges paid from borrower's funds and seller's funds.

Borrower's amount is also reflected on Line 103 of section J and seller's amount is reflected on Line 502 of Section K.

Sample of HUD-1 Attached as Exhibit A.

### **ASSIGNMENT, SALE OR TRANSFER OF LOAN SERVICING RIGHTS**

The lender must also disclose whether the loan might or will be serviced by someone other than the

lender during the lifetime of the loan,<sup>xiv</sup> the percentage of loans assigned, sold or transferred by the lender in the last 3 years, and an estimate of the current year's percentage. The borrower must sign mandatory acknowledgment of receipt of the disclosure prior to the funding of the loan.

The actual assignment, sale or transfer of servicing rights also triggers the requirement for disclosure to the borrower. Both the old and new servicers of the loan must forward disclosures. The notices can be combined for both servicers and must contain the following information:

- a. Effective date of the transfer
- b. Name, address and phone number of the transferee.
- c. Contact number of both the transferor and transferee.
- d. Date payment must be made to transferee and date after which payment will no longer be accepted by transferor.
- e. Effect, if any, on borrower's ability to maintain optional insurance.
- f. Statement that the terms of the loan have not been affected other than servicing provisions.
- g. Address for inquiries under the dispute resolution mechanism.
- h. Statement as to borrower's rights under the dispute resolution mechanism.

The joint notice form is popularly known as a "hello-good-by" letter.

### **SECTION 8 PROHIBITIONS AGAINST KICK-BACKS AND UNEARNED FEES**

In addition to the disclosures concerning settlement costs and assignments, a lender must also disclose whether it has a business relationship with those service providers who participate in the loan settlement process. Prior to the passage of RESPA, it was common practice for service providers to pay fees to lenders, lawyers or brokers for referrals of business. Payments were made in return for little more than a phone call. Settlement services were described to the consumer as ancillary to the major purchase, that being the house. The borrower had little expertise in

these matters and as a result was more than willing to follow the advice of a broker, lawyer or lender as to the purchase of settlement services. Service providers generated more revenue by paying higher referral fees than by providing better services at a low price. These practices resulted in inflated prices to the consumer, and Congress responded by enacting Section 8 of RESPA to balance the scales.

Section 8 of RESPA prohibits the giving and accepting of “any fee, kickback, or thing of value” in return for the referral of settlement services. “No person shall give and no person shall accept any fee, kickback, or other thing of value pursuant to an agreement or understanding, oral or otherwise, that business incident to or part of a settlement service involving a federally-related mortgage loan shall be referred to any person.”<sup>xv</sup> The Act defines settlement service as a service provided in connection with a real estate settlement<sup>xvi</sup> and is intended to include any activity related to a federally-related mortgage loan transaction as further defined in Regulation X as “business incident to or part of a settlement service.”<sup>xvii</sup> Examples of settlement services as defined by Regulation X are as follows:

- a. Origination, processing or funding of a federally related mortgage loan.
- b. Rendering of services by a mortgage broker.
- c. Services related to the origination, processing or funding of a federally related mortgage loan.
- d. Title services, including searches, exams, commitments and policies.
- e. Attorney’s services.
- f. Document preparation.
- g. Credit report and appraisals.
- h. Inspections.
- i. Settlement and related services.
- j. Service involving mortgage insurance.
- k. Services involving hazard and flood insurance.
- l. Tax service.
- m. Real estate agent or broker services.
- n. Any service which a service provider requires a borrower or seller to make payment.

Three elements must exist to constitute a violation of Section 8 and Regulation X: (1) a payment or a

giving of a thing of value; (2) pursuant to an agreement to refer business; and (3) a referral. The Act covers any transfer of value whether it is given directly or indirectly and regardless of how the value is labeled. An agreement for referral may be inferred from prior circumstances establishing a history of receiving a “thing of value” and does not need to be written or verbalized. A referral may be written or oral and have the effect of influencing the selection of a service provider.

The Act also prohibits a person from giving or accepting any portion, split or percentage of any charge made for settlement services other than for services actually performed. Section 8 provides certain exemptions, such as; payments for the fair value of goods or services actually received; employer-employee discounts; promotional and educational activities and certain consumer rebates. In Mentecki v. Saxon Mortgage, Inc.,<sup>xviii</sup> the court held that when a lender paid a yield-spread premium to the mortgage broker it was nothing more than payment of a referral since the mortgage broker had already been compensated by the borrower. However, the courts in Culpepper v. Inland Mortgage Corp.<sup>xix</sup> and Barbosa v. Target Mortgage Corp.<sup>xx</sup> both concluded that payment of a yield-spread premium did fit into the exception to Section 8 as payment for goods furnished. These courts interpreted the yield-spread premium as compensation to the mortgage broker for producing the loan. Under those cases, a violation would turn on whether a mortgage broker provided reasonable goods or services in return for payment. Barbosa and Culpepper were both rejected by the court in Dubose v. Federal Security Savings Bank.<sup>xxi</sup> As a result, a defendant must show that services were indeed rendered for the fees, otherwise payments will be construed as unlawful referral fees. In the most recent case of Dubose, the court took a different view, which ultimately makes Section 8, easier to enforce. Although there may be exceptions to Section 8, RESPA’s objective is to watch over and protect the unsuspecting consumer. So rather than “Buyer Beware”, the Act is suggesting “Lender Beware.”

## **PROHIBITIONS AGAINST REQUIRING A SPECIFIC TITLE COMPANY**

Section 9 of RESPA prohibits a lender from requiring a borrower to obtain title insurance from a specific title company as a condition to obtaining a loan.<sup>xxii</sup> Illinois law contains the same provision. 815 ILCS 505/2T. RESPA however, does provide some latitude with respect to this issue since the property constitutes the lender's main security. Although the borrower may choose his own title company, the lender cannot be forced to deal with a title company that might not have adequate reserves. Under those circumstances, the lender should have the option of obtaining quotes from various title companies whose prices are comparable to that of the company chosen by the borrower. This allows the lender to be insured by a company with adequate reserves without burdening the borrower with excessive costs. RESPA also prohibits a seller from requiring that a purchaser accept title insurance from a particular company.<sup>xxiii</sup> This provision was primarily directed against developers. In the past, a developer might promise a title insurer to refer all buyers of soon to be developed residential property in exchange for reduced cost of title insurance for the developer's initial purchase of the vacant parcel. Under Section 9, however, if the requirement to use a particular title company is in exchange for a prior rate concession, the subsequent transaction would violate RESPA. In Rendler v. Gambone Brothers Development Co.,<sup>xxiv</sup> plaintiffs brought a class action suit against defendant and its sales agent alleging violations of RESPA by unlawfully requiring plaintiff to purchase title insurance from a particular title company. Plaintiffs further asserted that the authorization to permit the sales agent to order title insurance for the buyer contained in the sales agreement was also in violation. The plaintiffs alleged that had they used their own title company, as allowed by RESPA, they would have saved money. The court approved a class action settlement and, as one of the conditions to settlement, ordered Gambone to amend its sales agreement and change its sales techniques. HUD has made several interpretive rulings with respect to selection of title insurers. The general tenor is that the party that pays the title charges may choose the provider.

## **MORTGAGE ESCROW ACCOUNT PROVISIONS**

Section 10 of RESPA prescribes statutory limits on amounts that lenders may require borrowers to deposit into escrow. When a loan is initiated, a lender may protect its lien from loss arising from future unpaid charges. Two areas of concern are loss due to uninsured destruction of improvements on the land or loss by reason of non-payment of taxes. To reduce the risk of loss, lenders require monthly payments into an escrow account for payment when due of homeowner's insurance premiums and property tax bills. Lenders also require an additional deposit to create a cushion, and the amount is often the equivalent of two or three monthly escrow payments and sometimes more. Congress enacted a provision limiting the amount a lender could require.<sup>xxv</sup> Effective as of May 1995, HUD issued regulations that requires lenders to use the following procedure for all new loans.<sup>xxvi</sup>

The escrow account must be analyzed every 12 months, and the results must be disclosed to the borrower within 30 calendar days in a statement called the Annual Escrow Account Statement. In the event of a deficiency, lenders must provide notice to the borrower and either opt to allow the deficiency to exist or require payment. However, lenders must refund a surplus of \$50.00 or more within 30 calendar days of the analysis.

## **ENFORCEMENT**

Parties injured as a result of a RESPA violation may sue in state or federal court. The statute of limitations for criminal or civil actions vary depending on the type of violation. RESPA violations can be criminal or civil and occur when lenders, title companies or other settlement service providers make false statements or fail to comply with RESPA. Penalties include the following:

- a. Fines up to \$10,000.00 or imprisonment for not more than one year, or both.
- b. Joint and several liability to the person charged for settlement services involved in a violation in an amount equal to three times the amount of any

- charge paid, in addition to court costs and attorney's fees.
- c. Debarment from participation in government loan programs.
  - d. Adverse publicity.
  - e. Disciplinary action by a lender or title company when there is intentional violation by an employee.

Finally, RESPA will not preempt or supersede state law unless the state law is inconsistent with the Act. HUD is authorized to determine such inconsistencies but will not do so if the state law provides greater protection to the consumer than does the inconsistent RESPA provision.<sup>xxvii</sup>

## CONCLUSION

RESPA is a consumer protection statute, first and foremost. The Act covers a complicated and dynamic area. Based on its primary objectives, its frequent adjustments to fit the changing state of the economy and various trends (such as, predatory lending practices and increasing fraud on lenders), it is highly likely that significant changes in the law may occur. Any changes will probably impose further responsibility on all participants in the consumer loan industry and do a little more than ruffle a few feathers. With the proper guidance however, any transition can be relatively smooth. So, in answer to the question "Will we ever RESPA in peace?" The response to that is "probably not." Ultimately, Congress will step in at the right moment and "make amends" so to speak.

**EXHIBIT A**

**A. CHICAGO TITLE AND TRUST COMPANY B. TYPE OF LOAN** 1.  FHA 2.  FMHA 3.  CONV. UNINS. 4.  VA 5.  CONV. INS **SETTLEMENT STATEMENT** 6. File Number  
7. Loan Number  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** 8. Mortgage Insurance Case Number

**C. NOTE:** *This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals. **WARNING:** It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.*

**D. NAME OF BORROWER:**

**ADDRESS:**

**E. NAME OF SELLER:**

**ADDRESS:**

**F. NAME OF LENDER:**

**ADDRESS:**

**G. PROPERTY LOCATION:**

**H. SETTLEMENT AGENT:**

**ADDRESS:**

**I. SETTLEMENT DATE: PLACE OF SETTLEMENT:**

**ADDRESS** **J. SUMMARY OF BORROWER'S TRANSACTION** **K. SUMMARY OF SELLER'S TRANSACTION** **100. GROSS AMOUNT DUE FROM BORROWER:** 400. **GROSS AMOUNT DUE TO SELLER:** 101. Contract sales price 401. Contract sales price 102. Personal property 402. Personal property 103. Settlement charges to borrower(line 1400) 403. 104. 404. 105. 405. *Adjustments for items paid by seller in advance* *Adjustments for items paid by seller in advance* 106. City/town taxes to 406. City/town taxes to 107. County taxes to 407. County taxes to 108. Assessments to 408. Assessments to 109. 409. 110. 410. 111. 411. 112. 412. 120. **GROSS AMOUNT DUE FROM BORROWER** 420. **GROSS AMOUNT DUE TO SELLER** 200. **AMOUNTS PAID BY OR IN BEHALF OF BORROWER:** 500. **REDUCTIONS IN AMOUNT DUE TO SELLER:** 201. Deposit of earnest money 501. Excess deposit (see instructions) 202. Principal amount of new loan(s) 502. Settlement charges to seller (line 1400) 203. Existing loan(s) taken subject to 503. Existing loan(s) taken subject to 204. 504. Payoff of first mortgage loan 205. 505. Payoff of second mortgage loan 206. 506. 207. 507. 208. 508. 209. 509. *Adjustments for items unpaid by seller* *Adjustments for items unpaid by seller* 210. City/town taxes to 510. City/town taxes to 211. County taxes to 511. County taxes to 212. Assessments to 512. Assessments to 213. 513. 214. 514. 215. 515. 216. 516. 217. 517. 218. 518. 219. 519. 220. **TOTAL PAID BY/FOR BORROWER** 520. **TOTAL REDUCTION AMOUNT DUE SELLER** 300. **CASH AT SETTLEMENT FROM/TO BORROWER** 600. **CASH AT SETTLEMENT TO/FROM SELLER** 301. Gross amount due from borrower(line 120) 601. Gross amount due to seller (line 420) 302. Less amounts paid by/for borrower(line 220) 602. Less reductions in amount due seller (line 520) 303. **CASH (o FROM) (o TO) BORROWER** 603. **CASH (o TO) (o FROM) SELLER**

L. SETTLEMENT CHARGES

700. **TOTAL SALES/BROKER'S COMMISSION based on price \$ @ % = PAID FROM BORROWER'S FUNDS AT PAID FROM SELLER'S FUNDS AT** *Division of Commission (line 700) as follows:* SETTLEMENT 701. \$ to 702. \$ to 703. Commission paid at Settlement 704. 800. **ITEMS PAYABLE IN CONNECTION WITH LOAN** 801. Loan Origination Fee % 802. Loan Discount % 803. Appraisal Fee to 804. Credit Report t o 805. Lender's Inspection Fee 806. Mortgage Insurance Application Fee to 807. Assumption Fee 808. 809. 810. 811. 812. 900. **ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE** 901. Interest from to @\$ /day 902. Mortgage Insurance Premium for months to 903. Hazard Insurance Premium for years to 904. years to 905. 1000. **RESERVES DEPOSITED WITH LENDER** 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. Aggregate Adjustment months @ \$ per month 1100. **TITLE CHARGES** 1101. Settlement or closing fee to 1102. Abstract or title search to 1103. Title examination to 1104. Title insurance binder to 1105. Document preparation t o 1106. Notary fees to 1107. Attorney's fees to (*includes above items numbers;* ) 1108. Title Insurance to (*includes above items numbers;* ) 1109. Lender's coverage \$ 1110. Owner's coverage \$ 1111. 1112. 1113. 1200. **GOVERNMENT RECORDING AND TRANSFER CHARGES** 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 t o 1303. 1304. 1305. 1400. **TOTAL SETTLEMENT CHARGES** (*enter on lines 103, Section J and 502, Section K*)

- i Pub. L. no. 93-533, 88 stat. 1724 (1974) codified at 12 U.S.C. ss 2601-2617 (1974) (RESPA)
- ii RESPA s19(a) added by the 1976 amendment
- iii 59 Fed. Reg. 6, 506-6, 521(1994)
- iv 61 Fed. Reg. 29, 238-29, 255 (1996)
- v Reg. X s3500.4(b), 57 Fed. Reg. 49, 6049 (1992)
- vi Reg. X s3500.5(b)
- vii Mentecki v. Saxon Mortgage, Inc., no. 96-1629-2, 1997 WL 45088 (Ed. Va.) (1997) and Reg. X s3500.2(b)
- viii RESPA s3(1)(a)
- ix Franklin State Bank and Trust Co., v. Herring 608 So. 2<sup>nd</sup> 643, 649 (1992)
- x McCarrick v. Polonia Federal Savings and Loan, 502 F. Supp. 654 (1980)
- xi Reg. X s3500.7(c )
- xii Reg. X s3500.9(a)(3) and 3500.9(b)
- xiii Reg. X s3500.9(a)
- xiv 12 U.S.C. s2605(a)(1)
- xv Reg. X 3500.14(b), Reg. X s3500.14(g)(2)
- xvi RESPA s3(3)
- xvii Reg. X 3500.14(b)
- xviii Mentecki v. Saxon Mortgage, Inc., no. 96-1629-2, 1997 WL 45088 (Ed. Va.) (1997)
- xix Culpepper v. Inland Mortgage Corporation, 953 F. Supp. 36, (1997)
- xx Barbosa V. Target Mortgage Corporation 968 F. Supp. 1548 (1997)
- xxi Dubose v. First Federal Savings and Loan, No. 95-D-867-n (MD Ala. 1997)
- xxii Reg. X 3500.7
- xxiii Weisberg v. Toll Brothers, Inc., 617 F. Supp. 539 (1985), 12 U.S.C. s2608
- xxiv Rendler v. Gambone Brothers Development Company 182 F.R.D. 152 (1998)
- xxv RESPA s10(a), Weinberger v. Bell Federal Savings and Loan Association 262 Ill. App. 3d 1047, 635 NE2d 647 (1994)
- xxvi Reg. X s3500.17(c )(4)(1), Mark v. Keycorp Mortgage, Inc. 1996 WL 465400 (N.D. Ill.) (1996)
- xxvii Reg. X s3500.13(b)(1), Greenwald v. First Federal Savings and Loan 446 F. Supp. 620, (1978), affirmed 591 F2nd 417 (1979)

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