



Title Topics



March

2009

RESPA Gets a Makeover More Information for Borrowers is the Goal

Many will recall that about a year ago, the Department of Housing and Urban Development (HUD) proposed a broad spectrum of changes to the regulations promulgated under the Real Estate Settlement Procedures Act (RESPA). After receiving and evaluating numerous comments from interested parties and industries (including the American Land Title Association), HUD issued its final rule at the end of 2008. The text of the final rule in its entirety can be accessed on line at www.hud.gov/respa.

The final rule does not implement all of the proposals contained in the March 2008 proposal. For example, the so-called "closing script" was eliminated as were the provisions that referred to owners title insurance as "optional." While a comprehensive evaluation of the final rule is beyond the scope of Title Topics, a few key changes must be highlighted.

The HUD-1 Settlement Statement

The HUD-1 form has been changed in several ways. In an effort to make the information on the HUD-1 more useful and understandable for the consumer, specific references to the information from the borrowers' Good Faith Estimate (GFE) have been added to Section L (page 2) of the form. It is anticipated that this information will be provided to the settlement agent by the lender.

The HUD-1 form will now also include a third page which sets forth a comparison between the charges listed on the borrowers' GFE and the charges listed on the HUD-1. The new page also sets forth the final terms of the borrowers' loan. The information required to complete this page will be provided by the lender.

For title agents, the changes to section 1100 of the HUD-1 are

of particular significance. The items in that section have been re-ordered and renamed and two new line items have been added. The information to be inserted in this section will have to be provided by the title agent.

Of note are:

1101. Title services and lenders' title insurance. Refers the borrower to #4 of their GFE. This line item includes all administrative and processing charges related to title insurance (for example search and exam fees). This line item does not include premium charges for any Owner's title insurance which will be provided; it does include the charge for lender's title insurance

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New Title Rates in Effect

New rates for owner's title insurance policies are now in effect. Gone is the so-called *reissue* rate as the basic and reissue rates have been replaced with a new, improved, Standard Rate.

The reissue rate was applicable to situations where the applicant presented us with an owner's title insurance policy dated within 10 years of the application. Statistics, however, demonstrated that most applications were not accompanied by a prior policy (a prerequisite for the rate) and steep property appreciation further weakened the price impact of the prior policy.

While it is always helpful to provide us with the prior policy at the time of application, it is no longer necessary to get the new rate. The new rate became effective on March 1.

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A message from Susan Kruger

All of us are well aware of how much the economic crisis has affected the real estate market. We know that real estate brokers, mortgage brokers and bankers, and the title industry have been drastically effected.

I want you to know Vested Title is still here and well staffed. We've been working hard for the past 28 years and we do not plan on stopping now.

We have introduced a new closing service for our customers who no longer maintain a dedicated real estate secretary for their closings. Our customers are very happy with the service that allows them to maintain a real estate practice in a down market. Call us for more information.

We are constantly updating our website, www.vested.com, and our blog at www.vestedtitle.blogspot.com. Be sure to check them regularly for the best links to legal forms, news and real estate calculators in the industry.

As I say on every order acknowledgement, "it's a pleasure to be of service." And I mean it.

Settlement Services Now Available

Reality makes us face hard facts. As the economy declined, tanked to be precise, many sole practitioners with a decent real estate practice found it increasingly more difficult to maintain staff dedicated solely to real estate. After receiving inquiries from several clients, we decided to offer settlement services to our client base. Here's how it works—

- You are retained as custom dictates. Once you have completed your contract negotiations and the transaction becomes firm, you order title work.
- We send the title commitment to you, the seller's attorney and to the lender's review attorney.
- Order survey if requested.
- We communicate with the lender to satisfy closing conditions.
- We communicate with seller's attorney to obtain payoff letters, certificate of occupancy, safety detector certificates.
- We prepare the buyer/borrower affidavit of title.
- If requested, we will set closing date, arrange with the lender for receipt of funds, prepare HUD-1 and review with you and seller's attorney, provide you with a closing package including an extra copy of the closing documents, prepare checks and deliver them to you by messenger in time for the closing.
- We will pay existing mortgages.
- Send final package to lender.
- Record closing documents.
- Post-closing, we do all that's necessary to get your client clear title to the property.

A pricing schedule is available by calling either Karen P or Suzanne in our settlement department. If you would like to speak to some of our clients who have used the service, we'll be glad to provide you with references. We hope that this service is of interest to you, and look forward to hearing from you soon.

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(including the charge for any lender only endorsements). It also includes settlement charges, under the definition of "Title Services".

1102. Settlement or closing fee. Here, the settlement fee is broken out. The actual settlement fee is set forth after the dollar sign (\$) on the interior section of the form (i.e. not in the Borrower's or Seller's columns).

1103. Owner's title insurance. The premium for Owner's title insurance, including the charge for any endorsements being given to the owner is entered in the appropriate column.

1104. Lender's title insurance. The premium for Lender's title insurance, including the charge for any lender only endorsements is broken out on this line. The amount is entered after the dollar sign (\$) on the interior section of the form (i.e. not in the Borrower's or Seller's columns).

1105. Lender's title policy limit \$ The liability amount for the Lender's policy is entered after the dollar sign.

1106. Owner's title policy limit \$ The liability amount for the Owner's policy is entered after the dollar sign.

1107. Agent's portion of the total title insurance premium. HUD apparently believes that knowing how the title insurance premium is divided between the agent and underwriter will help consumers better understand their closing charges. Thus, the dollar

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amount representing percentage of the premium which the agent retains under their Agency Agreement is filled in here. If the agent is not performing settlement services, this information must be provided to the party who will be conducting the settlement so that they may complete the form. (For example, if agent A retains 50% of the premium under their Agency Agreement and the entire title premium on the file is \$1,000.00, the amount to be entered here would be \$500.00 or 50% of \$1,000.00.) As with prior line items, this amount is entered in the interior of the form, not in the Borrower's or Seller's columns.

1108. Underwriter's portion of the total title insurance premium. The underwriter's portion of the premium per the title agent's Agency Agreement is filled in here. As with prior line items, this amount is entered in the interior of the form, not in the Borrower's or Seller's columns.

The HUD-1A, which is the optional form for transactions without sellers (financing and refinancing transactions), incorporates the same changes set forth above.

The Good Faith Estimate (GFE)

The GFE has undergone significant changes. At their most basic, the revisions represent an effort to better inform borrowers about critical loan and settlement cost information so that they may effectively shop among loans and loan originators.

From a settlement agent's standpoint, the figures on the GFE are relevant only to the extent that they need to be entered into the revised HUD-1 in which case, it is anticipated that the lender will provide the relevant information.

The new rule imposes certain categories of settlement service and loan related charges (those which cannot change, those which cannot go up by more than 10%, and those which can change) on lenders. Of interest to title insurers is that title charges where the lender selects or identifies the insurer fall

into the charges which cannot go up by more than 10%.

Required Use and Bundling

The new rule revises the definition of "required use". Under the rule, a person may not **require** the purchase of a settlement service from a specific provider; however, it is acceptable to offer a combination of settlement services at a discounted total price which is lower than the sum of the market prices for each separate service provided the use of the combination is optional to the purchaser and the lower price is not made up by higher costs somewhere else in the settlement process.

Implementation

The revised rule went into effect on January 16, 2009 but use of the revised HUD-1, HUD-1A and GFE is not mandatory until January 1, 2010. Links to the new forms may be found at www.hud.gov/respa.

Thanks to Nancy I. Koch, Vice President & NJ State Counsel, Old Republic National Title Insurance Company, for the background material.

We have a way for you to avoid laying out money for search work.

After repeated requests, Vested Title has now added the ability to receive payment by either charge or debit card.

As someone pointed out to us, if income taxes, real estate tax bills and everyday living expenses can be paid with a credit or debit card, why couldn't title search work be paid the same way? Well, truth be told, it can be paid that way.

We believe card payment is advantageous to our clients, too. Why advance money for your client from your funds when all we need is the client's credit card information? It avoids the need for you to get payment to us in advance of ordering the search work or to be reimbursed by your client weeks or months after you make the disbursement. Call us and find out how easy it is to pay by credit or debit card.

For 28 years, Vested Title has stood behind its clients. When it comes to resolving title problems with tax collectors, assessors, county clerks and registers, call upon us and we will do all we can to help you get that title closed.

Vested Title Inc. — Our 28th Year

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Kay Bell, writing on Bankrate.com discusses the "7 tax terrors and how to overcome them."

"Admit it," she writes. "You're afraid of your 1040. That's OK. A lot of us are. And our tax fears, sometimes irrational, sometimes warranted, cause us to do a lot of dumb things when it comes to our annual returns. Some people put off filing, some don't file at all. But fear doesn't have to paralyze you. Here are seven common tax terrors, how real they are (or aren't) and how you can overcome them." Here they are:

1. Afraid I can't do my taxes myself.
2. Afraid I'll overlook a tax break.
3. Afraid I'll make a mistake that will cost me money.
4. Afraid that my tax adviser is incompetent or a crook.
5. Afraid I'll get audited.
6. Afraid to e-file because my personal info could be lost or stolen.
7. Afraid to file because I can't pay.

To read the full discussion, go to [7 tax terrors](#) at Bankrate.com

