

ADDENDUM TO MOST COMMON HUD-1 QUESTIONS

1(a) QUESTION: On any rate term loan if a tolerance violation is found at closing and the lender applies credit at closing that results in cash back, what is the preferred practice or how do I cure this issue?

ANSWER: On any rate term loan, if a tolerance violation is found at closing and the lender applies credit at closing that results in cash back, the preferred practice is to apply the excess as a principal curtailment, thus reflecting "zero" bottom line #303 of HUD-1. Diminimus amounts back to the borrower could cause unnecessary concerns re A6 issues. (TX Home Equity closed end loan) There is no clear case law so title companies and investors vary widely re what they consider as acceptable. TIB does not allow principal curtailments, so check with your investor. You may have to reduce your loan amount.

2(b) QUESTION: On a Texas Home Equity closed end loan if lender has a tolerance violation and also has a violation of applicable closing fees exceeding 3% of the loan, does this result in one accumulative lender credit or two?

ANSWER: On a Texas Home Equity closed end loan if lender has a 0% or 10% tolerance violation, lender must credit each violation on page 1 of HUD. If the applicable closing fees exceed 3% of the loan, lender must credit borrower for the overage as a separate credit on page 1 of the HUD-1.