

Farm Credit Administration

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INFORMATIONAL MEMORANDUM



January 28, 2011

To: Chief Executive Officer
All Farm Credit System Institutions

From: Samuel R. Coleman, Director and Chief Examiner
Office of Examination

A handwritten signature in black ink that reads 'Samuel R. Coleman'.

Subject: RESPA – Clarification of Borrower Stock Disclosure on GFE and HUD-1

The Department of Housing and Urban Development (HUD) revised Regulation X (24 CFR Part 3500), which implements the Real Estate Settlement Procedures Act (RESPA), effective January 1, 2010. The purpose of this Informational Memorandum is to clarify, in light of the revised regulation, the proper application of certain Regulation X disclosure requirements to Farm Credit System (System) stock or participation certificate (PC) purchases by borrowers.

Good Faith Estimate (GFE)

The purpose of the GFE, as stated on the revised GFE form, is to provide applicants with an estimate of their settlement charges and loan terms if they are approved for a loan. On the GFE, the creditor must disclose the creditor's origination charge and the borrower's charges for settlement services.

HUD has recently informed the Farm Credit Administration (FCA) that because the purchase of stock or PCs by System borrowers is an at-risk, equity investment in the institution, rather than an origination charge or a settlement service charge, *it should not be disclosed on the GFE.*

We are aware that this clarification contradicts guidance that HUD previously provided to some System institutions. HUD recently changed its position, and FCA concurs with this new position.

HUD-1 Settlement Statement

HUD has also informed FCA that the cost of the stock or PCs should be listed in the 100 series on the HUD-1 Settlement Statement. The 100 series lists items included in the *Gross Amount Due from Borrower.*

We understand that some institutions will have to modify programs or systems in order to comply with HUD's directions and that these modifications will take some time to implement. We expect that institutions will complete these modifications in a timely manner.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by e-mail at cohnj@fca.gov; and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at stephensd@fca.gov.