3. Differences in the Types and Costs of Fees and Charges Levied by Different Types of Institutions Extending Housing Credit

No information is available on the types and amounts of fees and charges levied by different types of institutions in making mortgage loans. It should be noted in this connection, however, that many of the charges paid at the time of the loan closing are not under the control of the lender and are not collected by or for him, such as for title insurance, property survey, Federal and State stamps on deeds, recording of mortgage and deed. Some of the other charges made may reflect work performed by employees of the lender or by outsiders, such as, the appraisal of the property. The mortgagee's initial service charge, however, is under the control of the leader.

Credit Unions

Credit unions are limited, under the Federal Credit Union Act, to a maximum interest rate of 1 percent per month on unpaid balances, and this rate must include all charges incident to making the loan. We understand that Federal credit unions make very few mortgage loans, probably because the maximum 5-year maturity permitted on loans they may make limits their operations in this respect.

The following information provided by the Bureau of Federal Credit Unions, Department of Health, Education, and Welfare, explains the specific charges which are included or excluded from the 1 percent per month rate.

None of the following costs incident to making a loan may be charged to the borrower if it results in a total cost of more than 1 percent per month (or 12 percent per annum) on unpaid balances:

1. Inspecting and appraising real or personal property.
2. Recording of chattel mortgages, real estate mortgages, or other lien instruments.
3. Title search.
4. Bringing abstract of title to real estate up to date.
5. Attorney's opinion as to title and validity of credit union's lien.
6. Title insurance.
7. Title certificate.
8. Preparing deeds of trust, mortgages, or other lien instruments.
9. Chattel lien nonfiling insurance.
10. Credit investigation and credit reports.
11. Credit life (borrower's protection), disability, health, or accident insurance.
12. Filing assignments of personal property such as life insurance policies, mortgages, etc.

Items of cost related to the following have been held to be outside the limitation of interest charges, and the borrower may be required to pay them:

1. Preparing release of mortgage or other lien instrument.
2. Recording release of lien.
3. Hazard insurance on the property, such as fire, theft, liability, collision, windstorm, or other casualties.
4. Restoring clear title to borrower.

4. Fees or Charges Paid by the Borrower on a "Housing" Credit Transaction Which Should be Regarded as Incident to the Credit Transaction

While some of these individual items may be considered as incident to the credit transaction, and some may not, there are others which may fall in either category or be divided between the two categories, depending upon the particular circumstances involved.

The listing presented below represents an attempt to classify into the categories desired, the individual items of loan closing costs which appear in table 4 in the information provided in answer to question 2. It should be noted that many of these charges, which are paid at the time of loan closing, are not under the control of the lender and are not collected by the lender.

1. Items which may be considered as incident to the credit transaction:

FHA examination fee
Mortgagee initial service fee
Mortgagee appraisal fee
Credit report
Photos
Mortgage tax (in the nature of stamp tax, etc.)
Survey (of property)