

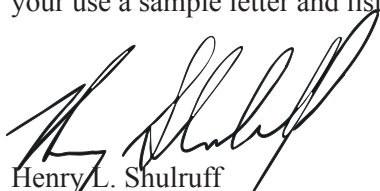


ATTORNEYS'
TITLE
GUARANTY
FUND,
INC.

To: ATG Members
FROM: Henry L. Shulruff
RE: Proposed Revisions to RESPA

The White House Office of Management and Budget (“OMB”) announced it will take another 30 days to review the revised RESPA Rule submitted by the Department of Housing and Urban Development. The OMB was scheduled to act on that rule by March 15th. However, HUD requested a 30-day extension. This very unusual move means the White House has until April 14th to accept the rule, reject it, or send it back to HUD for revision.

It appears that all the hard work on this issue by ATG, its members and the title industry has had an impact on decision makers in Washington. ATG members played a key role in keeping this issue in front of many legislators. Representative Judy Biggert (R-Ill) obtained more than 220 congressional signatures on a letter to the White House urging them to delay implementation of the rule. We are making a difference and we need to continue to use our influence with Congress to keep pressure on the decision makers at HUD and the White House. Please continue to write letters and send your faxes and e-mails. Once again, I attach for your use a sample letter and list of legislative contacts.



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OFFICES IN CHAMPAIGN, CHICAGO, HOMEWOOD, LIBERTYVILLE,
LOMBARD, MT. PROSPECT, NORTH RIVERSIDE, OAK LAWN, BELLEVILLE, ILLINOIS
AND MADISON, WISCONSIN

The Honorable _____

Dear Congressman _____:

I am deeply concerned about the proposed revisions to the RESPA regulations that HUD has delivered to the OMB. While we have not seen the final rule, we have seen a proposed rule. If the rule is similar, Congress should be alarmed.

When Congress enacted RESPA in 1974, it sought to lower housing acquisition costs by eliminating kickbacks in the real estate industry and to give consumers the opportunity to shop for the best products and services. The avowed goal of Congress was to make the transaction transparent to the consumer by requiring full disclosure of all costs associated with the purchase or sale of a home. Now, by regulation, the department would overturn this important cornerstone of consumer protection in the U.S. housing market.

I would like to briefly articulate four concerns about the rule:

First, the rule has the practical effect, whether intended or not, of eliminating competition and giving big banks and Realtors a monopoly on the delivery of settlement services required to close residential mortgage loans.

Second, under the guaranteed packaging proposed by HUD, borrowers would pay a lump sum for all closing-related fees. There would be no required itemization of charges, services, or providers included in the package. This is 180° opposite from the statutory scheme that Congress adopted for RESPA in 1974. We believe consumer understanding of the real estate process should be improved. From our perspective, disclosures to consumers should be strengthened and enhanced, not eliminated, which is what this rule does.

Third, the proposed regulations will raise the buyers' costs to purchase a home. Not only will the buyer have to pay for the cost of the kickbacks that will be paid under this scheme, in seller-pay states, closing and title costs will be shifted to the buyer, resulting in a doubling or tripling of the buyers' expense.

Fourth, although the proposed rule does not explicitly say so, the only way that HUD's packaging scheme could be implemented would be to preempt the myriad state laws, regulations, and rulings that have been developed to protect consumers. Throughout U.S. history, the regulation of real estate and insurance has been primarily the province of our state governments. Most states have a body of law that governs the transfer and/or insuring of real property interests. As we understand the HUD proposal, state statutes would be preempted in favor of a federal regime.

Significant changes to RESPA should be accomplished through the legislative process, not by regulation. Housing is a critical sector of our national economy and the foundation of wealth for most families. Changes that would significantly affect how residential properties are transferred and financed warrant careful scrutiny and deliberation. Congress, and not an administrative agency, should decide whether the statutes it has enacted should be substantially revised.

Allowing these regulations to be implemented will do great harm to the citizens you serve. We believe that if these regulations are implemented, closing costs will skyrocket, housing will become less affordable, and an already complicated process will become even more mystifying to the consumer.

Sincerely,

ATG Member

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www.atgf.com/member/shareupdate/suhome.asp

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