

July 31, 2008

The Honorable Jim Nussle
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Nussle:

The undersigned industry organizations have long supported efforts to simplify and improve mortgage disclosures to enhance borrower understanding of their loan terms and settlement costs. We have serious concerns about HUD's current Real Estate Settlement Procedures Act (RESPA) proposal, and we oppose its finalization in anywhere near its current form.

We strongly believe HUD should either combine its RESPA reform efforts with those of the Board of Governors of the Federal Reserve (Board) to reform the Truth in Lending Act (TILA) disclosures, focus on developing legislative reform of disclosures in accordance with very recent Congressional direction or, if it insists on moving forward independently, scale back its efforts to simplifying RESPA disclosures consistent with its current legal authority in a manner that accommodates and does not complicate the impending changes to TILA requirements.

The Board has announced it is undertaking reform of its Truth in Lending, or Regulation Z, disclosure requirements and has asked HUD to coordinate its reform efforts. TILA, which is the Board's responsibility, governs consumer disclosures concerning the terms of their mortgage loans. RESPA, which is HUD's responsibility, governs consumer disclosures of their closing costs.

There is a clear need to update and harmonize both sets of disclosures to address today's marketplace. Both sets of disclosures are ordinarily provided to borrowers at the same time. Current borrower confusion has made the need for more comprehensible disclosure of loan terms even more essential. Combining both efforts to result in simpler, possibly combined forms would help consumers gain a more comprehensible and complete picture of their loan terms and cost obligations.

Piecemeal reform, on the other hand, would likely double the very substantial costs of systems' conversions, training and staffing, as well as further confuse consumers. If HUD adopts a final rule now, without coordinating with the Board, it will be to the detriment of consumers, forcing them to confront a baffling host of disclosures, and forcing the mortgage lending industry to comply with inconsistent rules.

Notably, the recently enacted Housing and Economic Recovery Act offers additional options for mortgage reform. It requires HUD to make recommendations to Congress within six months on legislative reforms to RESPA to promote more transparent disclosures, allowing consumers to better shop and compare mortgage loan terms and settlement costs. Both RESPA and TILA are laws enacted in the 1960's and 1970's that reflect the consumer protection needs of a very different marketplace. A joint effort by the Board and HUD to coordinate and perhaps unify disclosures is long overdue and should be the primary focus of reform. Such an effort would prove more beneficial to consumers than additional regulatory changes.

Regrettably, rather than achieving the goal of simplicity, the current RESPA proposal includes a long and complex Good Faith Estimate (GFE) given to borrowers before they apply for a loan and prior to full underwriting; a new HUD-1 Settlement Statement that is not readily comparable to the GFE; a lengthy "closing script" required to be read aloud at closing; as well as several

controversial rule changes. Many of these changes are beyond HUD's authority and will have unintended consequences that will ill serve consumers and the fragile housing markets. Additionally, there is considerable concern that they will harm small businesses. Moreover, the costs of implementing these changes will be extremely high and could not come at a more difficult time for the mortgage industry and the consumers who will bear the new costs.

Accordingly, if HUD decides to go forward to finalize its proposed RESPA changes independently of the Board, HUD should limit its efforts to simplifying, improving and standardizing the GFE and making it easily comparable to the HUD-1. This will allow consumers to more effectively review settlement costs for loan products and easily compare costs at application to final costs. HUD should forego implementation of the closing script, conflicts with the Board's current and forthcoming TILA revisions, and any other controversial rules that go beyond simplifying, improving and standardizing the GFE. Finally, HUD should time the implementation of any RESPA rule changes to coincide with implementation of the Board's revised TILA provisions.

We strongly believe there are several approaches to reform that are superior to HUD's current proposal. We look forward to meeting with you to discuss these options in greater detail.

Thank you for your consideration of these important matters.

Sincerely yours,

American Bankers Association
American Financial Services Association
American Land Title Association
Consumer Mortgage Coalition
Housing Policy Council
Independent Community Bankers Association
Mortgage Bankers Association
National Association of Realtors
Real Estate Services Providers Council
Title/Appraisal Vender Management Association

CC: Senator Christopher J. Dodd, Chairman, Senate Banking Committee
Senator Richard C. Shelby, Ranking Member, Senate Banking Committee
Representative Barney Frank, Chairman, House Financial Services Committee
Representative Spencer Bachus, Ranking Member, House Financial Services Committee