



*An Article Of Interest...*

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## **REALTORS® Challenge HUD's RESPA Proposal as Complicated and Costly**

The National Association of Realtors® has released a report challenging the impact analysis used by the U.S. Department of Housing and Urban Development in its proposed Real Estate Settlement Procedures Act reform. The report, [The Estimated Costs of HUD's Proposed RESPA Regulations](#), finds that HUD "significantly underestimates the costs of implementing the new requirements."

RESPA is the principal federal law governing the real estate settlement process. Virtually all mortgage related matters at closing follow rules laid out by RESPA. NAR has been advocating for RESPA reform that will make the closing process less confusing and less expensive for borrowers.

"We want to see reform to the Good Faith Estimate that simplifies the closing process, allows borrowers the opportunity to shop around for the best mortgage for their situation, and ensures that they fully understand the terms of their chosen mortgage," said NAR President Dick Gaylord, a broker with RE/MAX Real Estate Specialists in Long Beach, Calif.

The report was conducted by Dr. Ann Schnare, a respected housing economist. While HUD's analysis uses a set of simple calculations that attempt to quantify the relative costs of the revised GFE and the addition of a "closing script" to the settlement process, the NAR report highlights several key considerations that HUD does not address in its calculations that could well produce compliance costs that are four times higher than those derived by HUD.

NAR appreciates HUD's attempts to reform the settlement process but is concerned that the cost analysis HUD is using to justify this proposal is misleading. "My report demonstrates that HUD is ignoring several key factors in its analysis that could have a major financial impact on consumers and could likely add an average of more than \$400 to a borrower's closing costs if implemented," said Schnare.

HUD estimates that the compliance costs associated with the revised GFE would be about \$45 per originated loan. However, Schnare concludes that HUD greatly underestimates the number of GFEs that would be issued. For example, if the average consumer obtained just two GFEs before applying for a loan, HUD's estimated GFE cost would rise by 60 to 100 percent, depending on the fallout that occurs after a loan application has been made.

"After accounting for additional hedging and underwriting costs, and applying more realistic assumptions regarding the expected number of GFEs, projected costs could well exceed \$300 per loan," Schnare said. "HUD also underestimated the cost of the proposed closing script." The report estimates that the cost of the closing script would probably be about twice the amount estimated by HUD, and those costs would most likely be passed on to the home buyer.

"In the end, a proposal that is supposed to save consumers could wind up costing more per transaction, and reform that is supposed to make the transaction safer and easier to understand for consumers could end up more confusing and more complicated. To protect consumers in the real estate transaction, NAR has asked HUD to rescind and revisit the current proposal and have asked that HUD reissue a rule that focuses on simple disclosure that allows the GFE to mirror the HUD-1," Gaylord said.

To view the full report, please visit [www.realtor.org/RESPA](http://www.realtor.org/RESPA).

The National Association of Realtors<sup>®</sup>, "The Voice for Real Estate," is America's largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

