

HOUSING
INTERSTATE LAND SALES, SECURE AND FAIR ENFORCEMENT MORTGAGE LICENSING ACT (SAFE ACT), AND REAL ESTATE SETTLEMENT
PROCEDURES ACT (RESPA)
2011 Summary Statement and Initiatives
(Dollars in Thousands)

INTERSTATE LAND SALES	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2009 Appropriation	\$303	...	...	\$303	\$303	\$303
2010 Appropriation/Request	540	...	...	540	540	540
2011 Request	<u>540</u>	<u>...</u>	<u>...</u>	<u>540</u>	<u>540</u>	<u>540</u>
Program Improvements/Offsets .....	...	...	...	...	...	...

Summary Statement

For fiscal year 2011, the Budget reflects \$540 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. The collected fees are paid to the Department's Salaries and Expenses (S&E) account under a permanent indefinite appropriation to partially defray administrative costs. These fees are collected from developers who file subdivision plans, as well as developers who request Advisory Opinions and Exemption Orders.

The goal of the Interstate Land Sales (ILS) program is to protect all consumers from fraud and abuse in the sale or lease of land. This is accomplished through a statute which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots with the Department of Housing and Urban Development (HUD). Developers also provide each purchaser with a disclosure document called a Property Report. The Property Report contains information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement. Typically, 20,000 lots are registered on an annual basis.

Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser with a copy of an effective Property Report before the purchaser signs a purchase or lease contract. The statute prohibits fraudulent sales practices. For example, it prohibits such abusive practices as those involved in development of Colonias, which the ILS office investigated. Developers on the Mexican-American border targeted many people who spoke little English. Purportedly, although sales pitches were made to these purchasers in Spanish, all documents were written in English, which violates HUD's regulations.

In addition to administration of Interstate Land Sales, the Department is responsible for the Real Estate Settlement Procedures Act (RESPA) which is also a consumer protection statute. The program costs are funded with appropriations under the HUD, Salaries and Expenses account, and both consumer protection activities are reflected in the appropriate FTE materials.

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

The Office also plays an important role in the Departmentwide fraud prevention initiative, as it exercises the regulatory enforcement authorities in the Real Estate Settlement Procedures Act (RESPA) and the Secure and Fair Enforcement Mortgage Licensing Act (SAFE Act) of 2009. The Office will enforce RESPA's disclosure requirements to protect real estate consumers from fraud and abuse. The Office will also enforce the SAFE Act's mortgage originator licensing requirements to protect mortgage consumers from fraud and abuse. In addition, the Office will provide comprehensive training on both statutes to state regulators, consumer advocacy groups and regulated industries.

Enacted in 1974, RESPA is a consumer protection statute. RESPA's goal is to protect consumers in the home buying and mortgage settlement process by mandating several consumer disclosures and prohibiting certain practices which would increase consumers' costs, such as payment of kickbacks. RESPA covers virtually all residential real estate transactions in the United States, or approximately 12 million a year. The HUD-1 Settlement Statement is the standard mortgage settlement document.

RESPA requires that lenders give borrowers a HUD-prepared booklet about the costs of the real estate transaction, settlement services, and consumer protection laws. When applying for a loan, lenders must provide borrowers a Good Faith Estimate or "GFE" of closing costs. The seller and borrower are entitled to a "HUD-1" settlement statement at closing.

In order to lower closing costs, RESPA prohibits certain abusive practices. It outlaws kickbacks, referral fees and unearned fees. Sellers may not force borrowers to purchase title insurance from specific companies. Restrictions on "Affiliated Business Arrangements" (ABAs) prohibit businesses from requiring use of their affiliates.

RESPA also covers loan servicing issues and prohibits lenders from requiring high escrow payments. RESPA requires annual escrow account statements, notifications when servicing is transferred, scheduled payment of taxes and insurance, and requires lenders to respond to borrowers on a timely basis. It also places limits on the amount that can be escrowed. Borrowers also have rights if the loan servicer makes errors in escrow accounting.

In 2009, the RESPA office responded to over 6,658 inquiries. Through these responses, staff counsel consumers and industry professionals on RESPA compliance issues. This assures that consumers receive proper disclosures. In conjunction with staff educational presentations to industry professionals and investigations of kickback violations, these efforts also hold down mortgage and settlement costs for all consumers. Further, investigations by compliance professionals result in recoveries to consumers. Staff also investigate servicer errors, which result in direct "consumer redress"--correction in loan accounts and payments to consumers.

The Office anticipates 5,000 inquiries and complaints in fiscal year 2011.

The SAFE Act Office monitors state laws and regulations implementing the SAFE Act's (Secure And Fair Enforcement Mortgage Licensing Act) requirements and determines whether they comply with minimum Federal standards. In addition, the SAFE Act Office's mission is to continually oversee the operations of state licensing laws to ensure that they operate an effective system of supervision and enforcement for the licensing and regulation of mortgage loan originators. SAFE Act Office is also charged with oversight of the Nationwide Mortgage Licensing System and Registry.

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

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INTERSTATE LAND SALES, SECURE AND FAIR ENFORCEMENT MORTGAGE LICENSING ACT (SAFE ACT), AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Fees	<u>\$303</u>	<u>...</u>	<u>\$303</u>	<u>\$303</u>	<u>\$540</u>	<u>...</u>	<u>\$540</u>	<u>\$540</u>
Total	303	...	303	303	540	...	540	540

<u>FTE</u>	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Estimate</u>
Headquarters	36	46	46
Field	<u>...</u>	<u>...</u>	<u>...</u>
Total	36	46	46

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

**HOUSING
INTERSTATE LAND SALES, SECURE AND FAIR ENFORCEMENT MORTGAGE LICENSING ACT (SAFE ACT), AND REAL ESTATE SETTLEMENT
PROCEDURES ACT (RESPA)
Program Offsets
(Dollars in Thousands)**

Fees	<u>Amount</u>
2009 Appropriation	\$303
2010 Appropriation/Request	540
2011 Request	<u>540</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department is currently educating industry professionals by explaining the 2008 RESPA disclosure regulations that make it easier for consumers to comparison shop for mortgages and settlement costs. The rules support the Department’s goal of increasing appropriate homeownership opportunities while assuring that consumers make informed decisions and that homeownership is sustainable.

This rule affects virtually all home purchase loans, loan refinancing, reverse mortgages and property improvement loans—typically 12 million transactions on an annual basis. Mortgage lenders and brokers, closing agents, attorneys, and other settlement service providers are expected to implement the new rule. As a result, the Office will continue to field a large number of complex and detailed inquiries about the rule. An expanded homebuyer booklet required by RESPA to advise homebuyers of their rights under the statute and regulations, and help consumers understand the nature and costs of mortgages, real estate settlement services, and sustainable homeownership will also generate additional adoption questions.

The Office is continuing re-platforming of the ILS and RESPA Lotus Notes case management system to transition to electronic filing of developer registrations and consumer oriented property reports, and conversion of existing paper filings to electronic records. Transitioning to electronic filing and delivery will free up staff for investigative purposes and make the process more transparent.

Interstate Land Sales. The Department is considering modifying the Interstate Land Sales filing fees, which may require legislative or regulatory changes.

For fiscal year 2011, the Budget reflects \$540 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. Collections are paid to the Department’s Salaries and Expenses account under a permanent indefinite appropriation to partially defray administrative costs.

The goal of the Interstate Land Sales program is to protect all consumers from fraud and abuse in the sale or lease of land through a statute which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots with HUD. Developers also provide each purchaser with a disclosure document called a Property Report. The Property Report, and consumer friendly disclosure documents, contain information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement. Typically, 20,000 units are registered on an annual basis.

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

In addition to administration of registration of Interstate Land Sales, the Department is responsible for the Real Estate Settlement Procedures Act (RESPA), which also is a consumer protection activity. The cost of this activity is funded with appropriations under the HUD, Salaries and Expenses account.

The Real Estate Settlement Procedures Act (RESPA) is a consumer protection statute, first passed in 1974. RESPA's goal is to protect consumers in the home buying and mortgage settlement process by mandating several consumer disclosures and prohibiting certain practices which would increase consumer's costs, such as payment of kickbacks. RESPA covers virtually all residential real estate transactions in the United States, or approximately 12 million a year. The HUD-1 Settlement Statement is the standard mortgage settlement document.

The RESPA Office responds to 3,000 to 5,000 inquiries per year, and through this process counsels consumers and industry professionals on RESPA compliance issues. This assures that consumers receive proper disclosures. In conjunction with staff activities to educate industry professionals, and investigations of kickback violations, these efforts also hold down costs for all consumers. Further, investigations by compliance professionals result in recoveries to consumers. Staff also investigate servicer errors, which result in direct "consumer redress"--corrections in loan accounts and payments to consumers.

The SAFE Act Office monitors state laws and regulations implementing the SAFE Act's (Secure And Fair Enforcement Mortgage Licensing Act) requirements and determines whether they comply with minimum federal standards. In addition, the SAFE Act Office's mission is to continually oversee the operations of state licensing laws to ensure that they operate an effective system of supervision and enforcement for the licensing and regulation of mortgage loan originators. SAFE Act Office is also charged with oversight of the Nationwide Mortgage Licensing System and Registry.

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Crosswalk of 2009 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Fees	\$303	\$303
Total	303	303

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PROCEDURES ACT (RESPA)
Crosswalk of 2010 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Fees	\$540	\$540	...	...	...	\$540
Total	540	540	...	...	...	540