

On Friday, March 14, 2008, the Department of Housing and Urban Development published a proposal to reform federal settlement cost disclosure requirements under the Real Estate Settlement Procedures Act ("RESPA").

"RESPA: Proposed Rule to Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs," if adopted in its current form, would create a 4-page standard Good Faith Estimate form with enhanced disclosure of:

- o The loan interest rate and monthly payment;
- o Whether the interest rate and principal balance can increase and by how much; and
- o Whether the loan has a prepayment penalty or balloon payment.

In addition to the GFE disclosure form requirements, the proposed rule would:

- Establish tolerances to limit increases in GFE estimates at closing;
- Revise requirements for the disclosure of mortgage broker fees and discount points at "the charge or credit for the specific interest rate chosen:"
- Modify the HUD-1 to facilitate comparison between the GFE and HUD-1 charges;
- Establish a new script to be read to borrowers at settlement concerning final loan terms and settlement costs;
- Clarify "required use" requirements to restrict disincentives against use of affiliates; and
- Make technical changes to the RESPA rules.

The deadline for public comment on the proposed rule is currently set for May 13, 2008.