

**OPENING STATEMENT OF
CHAIRMAN MELVIN L. WATT**

SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS

“HUD’S PROPOSED RESPA RULE”

TUESDAY, SEPTEMBER 16, 2008, 9:00 a.m.

Today’s hearing is entitled “**HUD’s Proposed RESPA Rule.**” The Real Estate Settlement Procedures Act of 1974 (“RESPA”) is the federal statute that governs the mortgage settlement process for all Americans. As anyone knows who has ever bought a home or refinanced a home mortgage, the process involves most Americans’ biggest investment and can be intimidating and complicated. Borrowers must sign dozens of forms and legal documents in one sitting, and quite often they do not understand everything (or anything) they are signing.

RESPA mandates the disclosure of certain terms, such as a home loan’s initial interest rate, prepayment penalties and settlement costs, among others. RESPA and RESPA disclosures have been the subject of intense controversy and anticipated reform since at least the Reagan administration. The Financial Services Committee has held several hearings on RESPA

reform, most recently in the 105th and 108th Congress. Our colleagues on the Small Business Committee have also held hearings on RESPA reform, most recently this past May. RESPA reform continues to generate bipartisan interest and I thank the Ranking Member, Rep. Gary Miller, for requesting this hearing.

The reason for today's hearing is to examine the current proposed RESPA rule issued by HUD on March 14, 2008 for public for comment. At the outset, I should note that over 240 members of Congress have signed a "Dear Colleague" letter to HUD Secretary Steve Preston urging HUD to withdraw the proposed rule and commence a joint rulemaking with the Federal Reserve Board to produce more simplified mortgage and real estate settlement cost disclosure forms. The letter also warns that the proposed RESPA rule could hinder rather than help the recovery of the housing market, which is of even more concern in light of recent turbulence in the housing market and the government takeover of FANNIE MAE and FREDDIE MAC. Chairman Frank also wrote a letter to HUD Secretary Preston this past June urging HUD to work with the Federal Reserve Board to reconcile inconsistencies between the proposed RESPA and Truth-in-Lending Act (TILA) disclosure requirements to avoid consumer confusion

and redundant disclosures. I ask unanimous consent that the Members' letter dated August 7, 2008 and Chairman Frank's letter dated June 12, 2008 be made part of the record.

As one of the few members of the House who was neither a signatory to the letter from over 240 Members or to Chairman Frank's letter, I may be the only remaining Member of Congress who can truly be said to be publicly neutral on HUD's proposal. So I was glad when our Ranking Member requested the hearing. I thought it would be fun to see a bipartisan pummeling of a federal government agency and a spirited defense. I am always up for a good fiery discussion, if not a brawl. But alas, it's not going to happen. Before we could issue our invitation to HUD to come and explain what HUD was thinking, in August, HUD formally sent the proposed RESPA rule to the Office of Management and Budget for review and now claims that it is obliged not to further comment. So HUD Secretary Preston will not be with us today, despite our invitation. The Federal Reserve has also declined to testify, citing a reluctance to be critical of another federal agency in public. I would note however, that the Fed issued a staff comment letter dated June 13, 2008 expressing some concerns and I ask unanimous consent to submit that letter for the record.

We are pleased that representatives of virtually every other group I could think of have been lining up at the door to testify. We have a wide array of witnesses and we look forward to their testimony. It will be available to HUD and OMB for whatever use they desire to make of it.

At the end of the day, RESPA reform should be about improving disclosures to consumers so that they can understand their rights and responsibilities when buying a home and avoid unwelcome surprises at the settlement table. Perhaps the full brunt of the subprime crisis may have been avoided had consumers better understood what they were signing when buying a home. At the same time, RESPA reform should not unnecessarily confuse consumers, nor result in unreasonable regulatory burdens and costs to the real estate industry as the fragile housing market seeks a recovery. In any event, under the Congressional Review Act, 5 U.S.C. § 801, Congress has the opportunity to review an agency rule before it can take effect, and we reserve the right to do so. I will now recognize the Ranking Member for his opening statement.