



Credit Union National Association

[cuna.org](http://cuna.org)

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September 15, 2008

The Honorable Rubén Hinojosa  
Member of Congress  
2463 Rayburn House Office Building  
Washington, DC 20515

The Honorable Judy Biggert  
Member of Congress  
1034 Longworth House Office Building  
Washington, DC 20515

Dear Representatives Hinojosa and Biggert:

On behalf of the Credit Union National Association (CUNA), I am writing to express our appreciation for the leadership you have shown in response to the Department of Housing and Urban Development's (HUD) proposed regulation regarding the Real Estate Settlement Practices Act of 1974 (RESPA). CUNA is the nation's largest credit union advocacy organization, representing 90% of our nation's approximately 8,300 state and federal credit unions, which serve over 90 million members, and state credit union leagues.

CUNA filed a comment letter with HUD on May 14, 2008, which thoroughly outlines our substantive concerns with the proposal. However, given the fact that the Committee on Financial Services Subcommittee on Oversight and Investigations will hold a hearing on the proposed rule, we would like to take this opportunity to highlight several of our concerns.

CUNA strongly supports the concept of amending RESPA rules in order to simplify and streamline the home purchase and settlement process. We believe that such changes could reduce out-of-pocket costs to consumers and increase quality of services. However, we have significant concerns with the HUD proposal, which could make the disclosure process more confusing for consumers, rather than less so.

Although we strongly support improvements to the good faith estimate (GFE) form, we oppose increasing it from the current one-page form to the proposed four-page form. This will not benefit borrowers, who we feel will be confused, overwhelmed, and possibly intimidated by the additional information, rather than helped to understand their loan options. Our comment letter suggests that, in the event HUD retains the current form or proceeds in finalizing the proposed GFE form, the form should include the annual percentage rate (APR), which may be helpful for borrowers if they want to compare loan terms among various lenders. We also suggest other changes that will improve the proposed GFE form.

CUNA does not believe it is necessary to require lenders to provide the GFE within three days after the consumer submits the GFE application. We also encourage HUD to change the wording of the GFE so it clearly indicates that the loan has not been approved and that the borrower must submit the subsequent mortgage application in order to receive a decision as to whether the loan will be approved.



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The proposal will require certain settlement costs on the GFE to be accurate within certain thresholds, unless there are "unforeseeable circumstances." However, the rule does not adequately describe circumstances that are unforeseeable by the lender. Our comment letters requests clarification on this point.

CUNA opposes the requirement that lenders must ensure that borrowers receive notice of a loan rejection within one day after this decision is made. This time period is not sufficient, and lenders will not be able to verify that the borrower received the notice within this very short period of time.

CUNA strongly opposes the requirement that an addendum to the HUD-1 or HUD-1A settlement statement be read aloud to the borrower at the time of settlement. Borrowers may prefer not to have this information read to them and they should already be aware of and understand much of this information well before the settlement date. As permitted under the Electronic Signatures in Global and National Commerce Act (E-Sign Act), the mortgage industry is evolving to the point in which closings may be conducted remotely by using electronic signatures and disclosures. Requiring the addendum to be read aloud will frustrate these efforts.

The proposal to allow lenders to remedy violations by reimbursing borrowers for closing costs above the required the threshold has merit. However, as we indicated in our comment letter, we believe lenders should have thirty days after closing to provide the reimbursement without being considered in violation of these threshold requirements, instead of the proposed fourteen-day period.

We also noted that the submission of both an application to receive the GFE and then a subsequent mortgage application will raise compliance issues as to whether the initial GFE application will trigger reporting requirements under the Home Mortgage Disclosure Act (HMDA), as well as adverse action notices under the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA).

Finally, HUD has indicated that it will seek legislative changes to strengthen the penalties for RESPA violations and further change the disclosure requirements. We urge HUD to seek input from credit unions and other lenders as it pursues these objectives.

We greatly appreciate all you have done to bring these and other concerns to the attention of Congress. Your leadership in organizing over 240 Members of Congress to write HUD in August to ask them to withdraw this proposal is commendable. We hope the upcoming hearing will shed additional light on the deficiencies of the proposed rule.

Sincerely,



Daniel A. Mica  
President & CEO