



Ask Fred

Borrowing money to purchase a home isn't as simple as it sounds, and Reg. X is one complicated law that realtors should keep themselves apprised because of its impact upon clients. Question: Can you provide a description of RESPA that we real estate agents could possibly use to explain it to our clients?

Answer: RESPA, or the Real Estate Settlement Procedures Act is also commonly known as Regulation X and it was adopted in 1974. Reg. X was created to provide customers with timely and accurate disclosures regarding the costs associated with real estate transactions and also to prohibit abusive practices such as kickbacks, referral fees and excessive escrow balances.

The Bureau of Consumer Financial Protection issues Reg. X to implement RESPA. Several disclosures are required under RESPA to be given by the lender to the borrower at very specific times during the lending process, and include (but not limited to) a Special Information Booklet, Good Faith Estimate, HUD-1 or HUD-1A Settlement Statements, Mortgage Servicing Disclosure Statement, and Initial Escrow Statement. RESPA rules apply to all federally related mortgage loans, except for those that are exempted like loans for business, commercial or agricultural purposes. The bottom line of RESPA (Reg. X) is that it includes a laundry list of protections provided to borrowers for mortgages and your clients will receive many of the required disclosures from their lenders at various stages of the lending process. Although you aren't required to give the disclosures to your client, it helps to understand the documents that they will receive.

Thanks for asking,
Fred Gray