

July 18, 2001

Mr. Richard Hauser
General Counsel
Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Mr. Hauser:

Thank you for meeting with representatives of our groups to discuss yield spread premiums and the potential impact of the Culpepper v. Irwin Mortgage decision on consumers and the mortgage lending industry, as well as other issues related to RESPA and TILA. The course of action that HUD decides to follow regarding the Culpepper decision will have a substantial effect on consumers across the country.

We welcome your assurance that HUD will invite our input on any specific measures HUD considers in relation to this case. We believe that it is vital to consumer interests that any action HUD takes be the result of an official review that includes a public comment period. As you know, HUD's 1999 policy statement was mandated by Congress (H.R. Conf. Rep. No. 105-769, 105th Con., 2d Sess. 260 (1998))(FY 1999 HUD Appropriations Act), with the expectation that HUD would "work with representatives of industry, Federal agencies, consumer groups, and other interested parties," and with a specific time frame by which the clarification must occur. Therefore, we believe that HUD should not, after-the-fact, unilaterally amend its policy statement on yield spread premiums.

Moreover, it is our understanding that, in light of the Culpepper decision, some lenders have requested that HUD amend its policy statement to provide retroactive legal immunity. It is our view that it would be totally inappropriate to provide retroactive immunity to lenders who have knowingly ignored their legal obligations under RESPA.

We also welcome your interest in discussing broader improvements to the mortgage loan process. The extensive review of RESPA and TILA conducted in 1998 by HUD and the Federal Reserve Board produced solid recommendations for improvements. We continue to support these recommendations as the starting point for any discussion of changes to RESPA and TILA. As you requested, please find enclosed a copy of the testimony of a number of consumer organizations on the HUD/Federal Reserve joint recommendations.

Sincerely,

Martin Corry
Director of Federal Affairs
AARP

Travis Plunkett
Legislative Director
Consumer Federation of America

Ira Rheingold
Executive Director
National Association of Consumer Advocates

Margot Saunders
Managing Attorney
National Consumer Law Center

Brad Scriber
Consumer Federation of America

Frank Torres
Legislative Counsel
Consumers Union

