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Advocacy Applauds Withdrawal of HUD RESPA Rule

On April 9, 2004 the U.S. Small Business Administration's Office of Advocacy (Advocacy) sent a letter to the Secretary of the Department of Housing and Urban Development (HUD) commending him for his decision to withdraw the draft final Real Estate Settlement Procedures Act (RESPA) rule from the Office of Management and Budget's review. Advocacy's letter can be found at www.sba.gov/advo/laws/comments.

- The intent of the July 2002 proposed rule on RESPA was to simplify, improve, and lower the costs of obtaining home mortgages. The proposed rule contained major changes to industry practices, including disclosure of mortgage broker fees and packaging, which could have impeded a small business' ability to compete. Because many of the businesses in the real estate industry are small, Advocacy was concerned about the potential economic impact that changes to the RESPA rule may have on small entities.
- Advocacy submitted comments expressing its concerns in October 2002. Advocacy's primary concern was that HUD did not fully analyze and publish the impacts that the proposed RESPA reforms would have on specific segments of the small business community (such analysis is required under the Regulatory Flexibility Act (RFA)). Advocacy's comments reflected information garnered from industry representatives at roundtables and other meetings. Members of Congress, consumer groups, and real estate industry groups also expressed concerns about the potential impact of the rule.
- By withdrawing the rule, HUD will have an opportunity to assess the full impact that the changes to the RESPA regulations may have on small businesses. Additionally, HUD will be able to consider alternatives that will be less burdensome on small businesses.
- In the withdrawal letter to OMB, Secretary Jackson stated that based on concerns from members of Congress and key members of consumer and industry group he believed that "it would be prudent for HUD to reexamine the RESPA rule before it is made final." He stated his intent to re-propose the rule after having met with affected consumer and industry groups, as well as briefing members of Congress.
- In its letter, Advocacy strongly supported HUD's decision to reexamine the RESPA rule, meet with industry groups, and seek public comment on a new proposed rule. Advocacy also offered to work with HUD when the rulemaking is revisited.

For more information, visit Advocacy's webpage at www.sba.gov/advo or contact Jennifer Smith at 202-205-6943.