



GAO

Accountability \* Integrity \* Reliability

United States Government Accountability Office  
Washington, DC 20548

---

B-317499

December 1, 2008

The Honorable Christopher J. Dodd  
Chairman  
The Honorable Richard C. Shelby  
Ranking Minority Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Barney Frank  
Chairman  
The Honorable Spencer Bachus  
Ranking Minority Member  
Committee on Financial Services  
House of Representatives

Subject: *Department of Housing and Urban Development: Real Estate Settlement Procedures Act (RESPA): Rule To Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Housing and Urban Development (HUD), entitled “Real Estate Settlement Procedures Act (RESPA): Rule To Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs” (RIN: 2502-AI61). We received the rule on November 17, 2008. It was published in the *Federal Register* as a final rule on November 17, 2008, with a stated effective date of January 16, 2009. 73 Fed. Reg. 68,204.

The final rule requires more timely and effective disclosures related to mortgage settlement costs for federally related mortgage loans to consumers. HUD intends for this final rule to protect consumers from unnecessarily high settlement costs by making a variety of changes to the Good Faith Estimate form.

Enclosed is our assessment of HUD’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that HUD complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Michael R. Volpe, Assistant General Counsel, at (202) 512-8236.

signed

Robert J. Cramer  
Associate General Counsel

Enclosure

cc: Camille Acevedo  
Associate General Counsel for  
Legislation and Regulations  
Department of Housing and  
Urban Development

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ENTITLED  
"REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA):  
RULE TO SIMPLIFY AND IMPROVE THE PROCESS OF  
OBTAINING MORTGAGES AND REDUCE  
CONSUMER SETTLEMENT COSTS"  
(RIN: 2502-AI61)

(i) Cost-benefit analysis

HUD analyzed the costs and benefits of this final rule. HUD estimates that borrowers will save \$8.35 billion annually, or \$668 per loan, in origination and settlement charges as a result of this rule. HUD estimates the one-time adjustment costs to the lending and settlement industry to be \$570 million, or \$46 per loan, and the total recurring costs for the industry to be \$918 million annually, or \$74 per loan. The net consumer savings for the average consumer in the first year would be \$548 per loan and \$594 per loan every year afterwards. In addition to the private benefits, HUD determined that there will be far reaching social benefits from more sustainable homeownership.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

HUD determined that this final rule will have a significant economic impact on a substantial number of small entities. HUD therefore prepared a Final Regulatory Flexibility Analysis.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

HUD determined that this final rule does not impose any mandates on any state, local, or tribal governments or on the private sector within the meaning of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

HUD promulgated this final rule using the notice and comment procedures found in the Administrative Procedure Act. 5 U.S.C. § 553. On March 14, 2008, HUD published the proposed rule. 73 Fed. Reg. 14,030. HUD extended the comment

period on May 12, 2008. 73 Fed. Reg. 26,953. HUD received approximately 12,000 comments on the proposed rule to which HUD responded in the final rule. 73 Fed. Reg. 68,205–68,238.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

This rule contains an information collection requirement. The Office of Management and Budget (OMB) reviewed this requirement and assigned it OMB Control Number 2502–0265.

Statutory authorization for the rule

HUD promulgated this final rule under the authority of sections 1709, 1710, 1715b, 1715z-16, and 1715u of title 12 and section 3535(d) of title 42, United States Code.

National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. sections 4321–4370f

HUD found this final rule will not have a significant impact with respect to the environment.

Executive Order No. 12,866

HUD determined that this final rule is economically significant under the Order because it will have an annual effect of \$100 million or more on the economy, and the rule was reviewed by the Office of Management and Budget.

Executive Order No. 13,132 (Federalism)

HUD determined that this final rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Order.