

March 19, 2003

**American Financial Services Association
Consumer Bankers Association
Consumer Mortgage Coalition
Mortgage Bankers Association of America**

The Honorable Richard C. Shelby
Chairman
Senate Committee on Banking
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Paul Sarbanes
Senate Committee on Banking
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Shelby and Senator Sarbanes:

The above-signed trade associations strongly support HUD's publication of a guaranteed closing costs regulation under the Real Estate Settlement Procedures Act (RESPA). The proposal HUD issued last summer would reform the process by which consumers obtain mortgage loans in this country. It would give loan originators and others the option of offering guaranteed closing costs to consumers. And if such a guarantee is provided, it would allow packagers to use their purchasing leverage to lower these costs – something which RESPA to date has prohibited.

This guarantee – called a “Guaranteed Mortgage Package” – will also help reduce predatory practices. It provides consumers with guaranteed information about a loan's costs early in the process, which promotes comparison-shopping, improves consumer understanding, and makes more difficult the deception that characterizes abusive loans.

Because of the numerous issues involved in reforming the way mortgages are disclosed and offered to consumers, HUD has sought the benefit of as many views and perspectives as possible. In its proposed rule HUD invited the industry, consumer groups and other interested parties to provide their input on over 30 substantive issues in the rule. The lending industry responded to HUD's invitation and submitted extensive comments on both technical and substantive aspects of the rule.

After the comment period expired, HUD to an unusual extent sought out and interacted with numerous companies, trade associations and consumer advocates to make sure its final rule is workable and serves first and foremost the needs and interests of consumers.

The guaranteed mortgage package is a new, optional method for offering mortgage loans to consumers that will help consumers shop, and will exert downward pressure on settlement costs. We believe HUD is on the right track in providing lenders and others the option of bundling and guaranteeing settlement costs, and removing barriers to competition. This is a sensible, market-based solution whose time has come. We believe that HUD's final rule should be allowed to proceed so that this important consumer benefit can be made available soon as possible.

cc: The Honorable Robert F. Bennett
The Honorable Wayne Allard
The Honorable Michael B. Enzi
The Honorable Chuck Hagel
The Honorable Rick Santorum
The Honorable Jim Bunning
The Honorable Mike Crapo
The Honorable John E. Sununu
The Honorable Elizabeth Dole
The Honorable Lincoln D. Chafee

The Honorable Christopher J. Dodd
The Honorable Tim Johnson
The Honorable Jack Reed
The Honorable Charles E. Schumer
The Honorable Evan Bayh
The Honorable Zell Miller
The Honorable Thomas R. Carper
The Honorable Debbie Stabenow
The Honorable Jon S. Corzine