

WHAT IS RESPA?

The **Real Estate Settlement Procedures Act (RESPA)** is a consumer protection statute, first passed in 1974, currently administered and enforced by the Consumer Financial Protection Bureau (CFPB). The stated purposes of RESPA are:

1. to help consumers become better shoppers for settlement services and
2. to eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services.

RESPA covers loans secured with a mortgage placed on a one-to-four family residential property. These include most purchase loans, assumptions, refinances, property improvement loans, and equity lines of credit.

According to the U.S. Department of Housing and Urban Development (HUD), "RESPA ensures that consumers throughout the nation are provided with more helpful information about the cost of the mortgage settlement and protected from unnecessarily high settlement charges caused by certain abusive practices."

RESPA requires that consumers receive disclosures that "spell out the costs associated with the settlement, outline lender servicing and escrow account practices and describe business relationships between settlement service providers," such as loan originators, real estate brokers, surveyors, inspectors, and title companies.

RESPA also outlaws kickbacks and other practices that increase the cost of settlement services. Particularly, RESPA prohibits a person from giving or accepting a "thing of value" (payments, commissions, gifts, tangible items, or special privileges) in exchange for referrals of settlement business related to a federally related mortgage loan; prohibits a person from giving or accepting any part of a charge for settlement services that are not performed; and prohibits home sellers from requiring home buyers to purchase title insurance from a particular company.