

STATEMENT  
OF  
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FOR THE HEARING ON:  
"SIMPLIFYING THE HOME BUYING PROCESS: HUD's PROPOSAL TO REFORM  
RESPA"

BEFORE THE  
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES

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2128 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, D.C.

Good afternoon Chairman Ney, Ranking Member Waters, and Members of the Subcommittee on Housing and Community Opportunity. My name is Charles Mendoza. I am a member of AARP's Board of Directors.

I appreciate this opportunity to offer AARP's assessment of the U.S. Department of Housing and Urban Development's proposal to reform the Real Estate Settlement Procedures Act. We believe there is a clear need to simplify and improve the process of shopping for and obtaining home mortgages. AARP strongly supports the thrust of HUD's approach for reforming today's confusing settlement process.

For nearly a decade, AARP has been actively advocating for reform of RESPA with these objectives in mind. Many

homebuyers are mid-life Americans buying a long awaited first home, or those who are trading up, and older Americans who are restructuring their households as they approach their retirement years. Unfortunately, the existing RESPA disclosure requirements have turned a virtue into a vice by inhibiting rather than facilitating competition for loan products and comparative shopping by homebuyers.

Chairman Ney, because of the importance and complexity of the issues being raised, I have attached to my statement a copy of AARP's detailed agency comments regarding the proposed RESPA reform rule. If space permits, I would like to request that our comment letter be made part of today's hearing record.

HUD's proposal contains three major provisions:

- enhanced disclosures of mortgage broker or loan originator compensation,
- revisions to the Good Faith Estimate system - often referred to as GFE Disclosure, and
- the availability of guaranteed mortgage packages that include guaranteed settlement costs and interest rates.

This loan package is often referred to as the GMP option.

In the limited time I have to address the Subcommittee, I would like to highlight several key features of our agency comment letter as they relate to these provisions:

- First, AARP supports HUD's proposal to streamline and improve the Good Faith Estimate system and to create a new disclosure form to permit the offering of a Guaranteed Mortgage Package. The GMP package

carries with it guaranteed loan terms and settlement costs;

- Second, we support HUD's proposal to streamline and improve the accuracy of the GFE option. The proposed changes will offer significant advantages to borrowers over the current system by creating greater certainty. The revised GFE will be especially beneficial for subprime borrowers who will receive firmer costs information without risk of losing important consumer protection rights;
- Third, we favor the GMP as a novel concept to promote true comparison shopping by providing certainty for consumers at an early shopping stage;

- Fourth, we strongly recommend, however, limiting the GMP package to the competitive “prime” market until knowledge regarding subprime market behavior becomes more standardized and reliable. Our concern is that the subprime market has not yet developed the required market information that is necessary for creating competitive pricing standards;
- Fifth, in our comments to the Department, we detail the need for clearer enforcement mechanisms for the GFE and the GMP; and lastly,
- We suggest revising the proposed GFE and GMP disclosure forms to improve their clarity and comprehensibility.

Arcane as the language of RESPA may be, the substance of RESPA is tied directly to a central component of the American Dream – the expectation that most Americans will be able to afford to own a home.

We appreciate the purpose served by this hearing in focusing public attention on an important rule-making proposal and process. I will close by saying that while a number of important and useful modifications can and should be made to the proposed RESPA rule before final promulgation by HUD, we strongly support the Department's efforts to move this rule forward.

I would be happy to answer any questions you may have.