

Opening Statement
Chairman Michael G. Oxley
House Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Simplifying the Home Buying Process: HUD's Proposal to Reform RESPA

February 25, 2003

I would like to thank Congressman Ney for holding this hearing, his first as the new Housing Subcommittee Chairman. Last October, Secretary Martinez provided the Committee with his views on HUD's proposed reforms to the Real Estate Settlement Procedures Act. Today, I look forward to getting perspectives from the mortgage finance industry and consumer advocacy groups on the proposed rule.

The mortgage closing process is in great need of reform. I commend HUD's efforts to simplify the system and enhance the quality of critical information needed by America's home buyers. However, given the intense member interest in this issue last October and the attention this issue has received in the media, this issue is clearly not a simple one. Rather, it is very complex and a cautious and thorough approach – which will include weighing all the perspectives – is very important.

I think most people would agree that RESPA, in its current form, is unnecessarily complex. HUD's proposal is intended to streamline the mortgage process and make it more consumer-friendly.

Not everyone is in agreement that the rule reaches this goal. Some have stated that the proposal would create an uneven playing field among mortgage originators, which could have several unintended consequences for industry and consumers, not the least of which is new class action litigation.

Others have stated that the big providers will get bigger, the small providers will go away and consumers will lose important consumer protections and possibly pay higher prices for services they won't even know they are buying.

On the other hand, HUD's proposed reforms to RESPA are a big step toward improving the process in which consumers obtain mortgage loans. It gives the consumers more options and would allow for lower prices. This would provide consumers with a better ability to compare prices and get the best loan available.

Secretary Martinez has provided the leadership necessary to move this debate forward. I commend him for his determination to improve the mortgage closing process for America's home buyers and am confident that when the rule comes out in its final form many concerns will be addressed, consumers will benefit, and the mortgage finance industry will have more flexibility to meet technological and efficiency challenges.

I look forward to hearing from all of today's witnesses.