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Rep. LaFalce Introduces RESPA Reform Legislation

NEW YORK, May 23 (LendingIntelligence.com) — Rep. John J. LaFalce (D-NY) today introduced legislation into the U.S. House of Representatives aimed at simplifying the mortgage loan application process by amending the Real Estate Settlement Procedures Act (RESPA).

The bill, named the "Mortgage Loan Consumer Protection Act" (H.R. 4818), has already garnered the support several consumer groups, including the [Consumers Union](#), the [Consumer Federation of America](#), the [National Consumer Law Center](#), , and the [National Association of Consumer Advocates](#).

According to a spokesman for LaFalce, who is also a sponsor of Congressional legislation aimed at eliminating the practice of unscrupulous lenders preying on unsuspecting and uneducated borrowers, this bill would update the 28-year-old RESPA, which governs mortgage loan disclosures and treatment of escrow accounts, which are maintained by lenders to pay taxes and insurance. RESPA is enforced by the [U.S. Department of Housing and Urban Development](#) (HUD).

The bill would create financial penalties for lenders that fail to provide required federal disclosures.

LaFalce's legislation would also direct HUD to inform all borrowers of the availability of assistance in analyzing the factors which influence a decision to refinance, and in evaluating a common option of deferring up-front loan fees by rolling them into a higher interest rate. The information would be required to be provided to borrowers as part of the "Good Faith Estimate," a statement provided to borrowers by a lender before a loan is funded that discloses all the costs and fees associated with originating a mortgage.

The legislation is also meant to protect consumers in regards to the administration of escrow accounts — which are established

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to pay taxes and insurance premiums. Specifically, the legislation would requires loan servicers to refund all escrow amounts when a loan is paid off, as long as the borrower gives seven days prior notice of the intent to prepay. Federal law currently doesn't provide a timetable.

Additionally, the bill would make servicers liable for penalties that arise from failure to make timely payment of taxes, insurance or other items required to be paid out of escrow.

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