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HUD Proposes New Mortgage Rules that Harm Consumers

What every home owner and buyer needs to know about the proposed RESPA rules

Ann Arbor, MI, June 11, 2008 – The public comment period ends on Thursday, June 12, for the new [proposed mortgage disclosure rules](#) issued by the Department of Housing and Urban Development (HUD). The proposed rules will restructure mortgage disclosures under the Real Estate Settlement Procedures Act (RESPA). “While we absolutely agree that the mortgage process needs to be reformed, HUD’s proposed rules are dangerous, costly and fail to achieve their stated goals of bringing clarity and transparency to the mortgage origination process,” said Gibran Nicholas, Chairman of the [CMPS Institute](#), an organization that certifies mortgage bankers and brokers. The CMPS Institute has just completed an exhaustive review of the proposals, and they have sent their comments to HUD.

- [Here is a link to HUD's proposed rules](#)
- [Here is a link to the CMPS Institute comments and addendums regarding HUD's proposals](#)

There are two major flaws in the rules that are addressed in CMPS’ comments:

Problem #1 - The proposed rules require mortgage banks and brokers to provide a preliminary “GFE application” and rate lock that is based on very limited preliminary information. “This is like asking a stock broker to prepare a Temporary Stock Quote and guarantee the validity of the quote while the investor takes a few days and shops among other stock brokers for a lower stock price,” said Nicholas. “This is totally unrealistic and impractical, and demonstrates that the proposed rules were written by government officials who obviously have little or no business experience or understanding of how the market works.”

Problem #2 – The proposed rules require only mortgage brokers to disclose the commissions they earn, while allowing bankers to slide by without disclosing their commissions. “This is totally unacceptable as bankers now originate more than 60% of home mortgages,” said Nicholas. This is up from a low point of only 35% a few years ago. “Mortgage brokers are already going out of business en masse by virtue of market conditions,” said Nicholas. “These rules would simply drive up their costs while giving bankers an unfair competitive advantage. This lack of competition in the marketplace will harm consumers.”

CMPS Institute included a sample Home Mortgage Summary Disclosure Form as their proposed alternative to HUD's rules. "CMPS' proposed disclosure form is simple, effective and easy to understand," said Nicholas. "It levels the playing field between bankers and brokers, protects consumers and brings much needed clarity to the mortgage process."

Please review CMPS' comments and let HUD know your feedback as well. You can comment on the proposals here:

<http://www.regulations.gov/fdmpublic/component/main?main=SubmitComment&o=09000064805a5d3a>

If you agree with any or all of the comments prepared by the CMPS Institute, please include the following phrase in your comments:

Additionally, I support and agree with the comments submitted by the CMPS Institute which can be found at:

<http://www.cmpsinstitute.org/pdf/CMPSCommentsonRESPA.pdf>

Remember, the deadline to submit comments is Thursday, June 12th. The more people who indicate support for these comments, the more likely they are to be considered.

About [CMPS Institute](#): CMPS Institute a national training and certifying organization created to empower key stakeholders in the mortgage and financial planning industries. Since its inception in 2005, over 4,500 mortgage bankers and brokers have voluntarily embraced the CMPS® certification. Recognized for its preeminence within the industry, the CMPS curriculum represents the core knowledge expected of residential mortgage advisors, regardless of the diversity of specializations within the industry. For more information or to locate a certified professional near you, please visit www.CMPSInstitute.org or call 888.608.9800.

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