

## THE COST OF RESPA REFORM

BANKERSONLINE.COM

HUD has provided several tables of estimated costs involved in complying with these new rules. The following recap of these costs may be of interest to you and senior management as you decide whether or not to submit a comment letter.

### Compliance Costs of the Proposed Rule

These costs assume 12.5 million loans are done annually. The per loan cost estimate is that compliance with the new GFE disclosure rule will cost \$44.40 per loan. Compliance with the new HUD-1/1A disclosure rule will cost \$54.08 per loan.

As an industry, one-time costs involved in compliance for these two disclosures are estimated to be \$570,000,000. The recurring costs for compliance are estimated to be \$1,231,000,000.

### One-Time Software Upgrade & Training Costs of the New GFE

The cost for the industry is estimated to be \$91,042,558. Mortgage brokers have the largest part of that cost estimated to be \$61,267,428 while credit unions have the lowest expense at \$2,569,710. Commercial banks costs are estimated to be \$11,647,288, with mortgage banks paying out \$10,308,241 and thrifts paying \$5,249,891.

### One-Time Legal Consultation Costs on the New GFE

HUD recognizes that new costs will be paid as a result of the new rules. One-time legal expenses are estimated to be \$115,874,000 for the industry. These estimates are broken down by entity category as follows:

Mortgage Brokers	\$73,219,520
Commercial Banks	\$ 2,053,150
Mortgage Banks	\$ 1,551,500
Thrifts	\$ 974,750
Credit Unions	\$ 420,600

### One-Time Training Costs on the New GFE

With any regulatory change there will be training costs you will have to pay. One-time training expenses are estimated to be \$193,591,648 for the industry. These estimates are broken down by entity category as follows:

Mortgage Brokers	\$134,522,236
Commercial Banks	\$ 22,653,771

Mortgage Banks	\$ 21,285,461
Thrifts	\$ 9,981,440
Credit Unions	\$ 5,148,741

### Incremental Costs of Third Party Pricing Arrangements for the New GFE

It is estimated that the additional disclosures will take an estimated 10 to 20 minutes more per loan. Basing this time on 12.5 million loans annually at a rate of \$72 per hour, the industry cost will be \$300,000,000. These estimates are broken down by entity category as follows:

Mortgage Brokers	\$180,000,000
Commercial Banks	\$ 49,275,600
Mortgage Banks	\$ 37,236,000
Thrifts	\$ 23,394,000
Credit Unions	\$ 10,094,400

For the above industry costs, \$970,508,206 represents a one-time expense to be paid to comply. Recurring costs will amount to \$1,531,000,000 annually.

EDITOR'S NOTE: Both articles on the proposed RESPA Reform initiatives were reprinted with the express permission of BankersOnLine and first appeared on *www.bankersonline.com* on March 14, 2008. BankersOnline has become one of the banking industry's premier sources of information and is a joint effort by Glia Group, Inc. and the Bankers Information Network.

Both articles were authored by the BankersOnLine team led by MaryBeth Guard, Executive Editor and Principal of BankersOnLine.com. Mary Beth Guard spent many years as a banking lawyer, serving as general counsel for the Oklahoma Banking Department and the Oklahoma Bankers Association. She is nationally known as a banking speaker and author.

#### LEARN MORE ABOUT THE RESPA PROPOSAL

Join BOL Gurus Mary Beth Guard and Jack Holzknicht for a comprehensive analysis of this significant new proposal for a webinar. The live webinar will be April 25, 2008 from 1:30 to 3:30 p.m. Central Time but participants are given the option of the LIVE Webinar, Webinar\_ CD-ROM or CD-ROM. Registration information can be found online at: [https://www.bollearningconnect.com/eventreg/LC\\_respa0408\\_register.php](https://www.bollearningconnect.com/eventreg/LC_respa0408_register.php)