

MBA's Regulatory Compliance Conference 2006

RESPA ENFORCEMENT

September 8, 2006

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A. LENDER'S ESPECIALLY VULNERABLE

1. Section 8(a) prohibits kickbacks
2. Lenders get it coming and going

B. HUD'S NOT KIDDING

1. Hired 20 new staffers
2. Contracted with private investigation firm
3. Real consequences for those who violate RESPA requirements

C. ENFORCEMENT EXPLOSION

1. First 32 years = 30 major settlements
2. Last 18 months = 17 major settlements
3. No segment of settlement service industry spared
4. Zero Tolerance Policy

C. ENFORCEMENT EXPLOSION cont'd

5. 17 Settlements = 5 Main Areas of Concern
- Sham affiliated business arrangements
 - Improper referral fees
 - Office and desk rentals
 - Inaccurate HUD-1 Settlement Statements
 - Captive title reinsurance arrangements

D. LESSONS FOR LENDERS

1. Sham Affiliated Business Arrangements
 - Closings of Tulsa, Builders Title & Escrow
 - Closings of Tulsa, McGraw Davvison and Stewart
 - FATCO
 - Title Group Builders

D. LESSONS FOR LENDERS cont'd

2. Payment of Referral Fees

- Prudential Locations
- Coldwell Banker Residential Real Estate
- East-West Mortgage Company

D. LESSONS FOR LENDERS cont'd

3. Office and Desk Rentals
 - Metropolitan Title Company
 - 5 Real Estate Brokers

4. Inaccurate Settlement Statements
 - Chicago Title Insurance Co.

D. LESSONS FOR LENDERS cont'd

5. Captive Title Insurance Arrangements
 - CitiMortgage
 - Richmond American Homes
 - John Laing Homes

E. LENDER VULNERABILITY IN 2006

1. Affiliated Business Arrangements
2. Work Share Arrangements
3. Marketing Agreements

F. ANYTHING WRONG WITH MARKETING AGREEMENTS

1. Lawful under Section 8(c)(2)
2. 2-Part Safe Harbor Text
3. Real Services
4. Fair Market Value

G. BOTTOM LINE

1. First time in a decade, HUD means business
2. Lenders need to audit their activities for RESPA compliance