

HUD ANNOUNCES NEW RULE TO PROTECT HOMEBUYERS FROM PREDATORY LENDING PRACTICES

WASHINGTON - The Department of Housing and Urban Development today announced another step in its efforts to protect homebuyers from predatory lending practices by publishing a proposed "lending accountability" rule that makes lenders accountable for appraisals on mortgages insured by the Federal Housing Administration (FHA). The rule will be published in the Federal Register. Predatory lending results when home purchasers become unwitting victims of lenders, sellers and appraisers, often working together. The unsuspecting homebuyers either purchase homes with sales prices far in excess of the fair market value, or are substantially overcharged with costs associated with obtaining a mortgage.

"The Bush Administration is doing everything we can to protect homebuyers, particularly minorities, from unscrupulous predatory lending practices," said HUD Secretary Martinez. "Predatory lending has no place in the FHA market, sub prime market, or any real estate transaction."

"We are committed to creating 5.5 million new minority homeowners by the end of the decade, the key to making the dream of homeownership a reality for more people," added Martinez.

The proposed rule "**FR-4722 Lender Accountability for Appraisals**" makes lenders accountable for the quality of appraisals performed by the appraisers the lender hires, and has been reviewed by Congress and will be published in the Federal Register for comment today.

This rule seeks to strengthen HUD's regulations concerning the responsibilities of lenders in the selection of appraisers to perform appraisal on properties that will be security for FHA insured mortgages.

The rule makes lenders strictly accountable for the quality of the appraisals and specifies that lenders that submit appraisals to HUD that do not meet FHA requirements are subject to the imposition of sanctions by HUD's Mortgagee Review Board.

The rule will help assure that homebuyers will receive accurate statements of appraised values on homes they purchase using FHA mortgage insurance. The proposed rule will be revised after the consideration of public comments into final form for implementation.

Other recent actions by the Bush Administration to protect homeowners from predatory lending and promote homeownership include:

- A recent plan announced by HUD to expand protection of homeowners by proposing performance standards for appraisers of FHA-single family homes under its **Appraiser Watch Initiative**. Under Appraiser Watch, some 25,000 appraisers will be held accountable for faulty appraisals, which too often lead to default and foreclosure. FHA will monitor appraisers' default and claim rates and will levy sanctions - including removal from its list of approved appraisers - against those whose rates are excessive.
- A proposal to reform the regulatory requirements of the Real Estate Settlement Procedures Act (RESPA) that would make the process of buying and refinancing a home significantly simpler, potentially less expensive and would protect consumers from unscrupulous lending practices.
- The "Homebuyer Bill of Rights," which requires greater disclosure of costs associated with buying a home, allows consumers more choices in choosing providers of closing services, limits excessive settlement fees and encourages innovation and competition in the marketplace.

HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities, creating affordable housing opportunities for low-income Americans, supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development as well as enforces the nation's fair housing laws. More information about HUD and its programs is [available on the Internet](#).