

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## **CFPB MOVES ON RESPA AGAIN**

Last week we reported on a CFPB enforcement action for the payment of referral fees illegal under RESPA's Section 8. This week we are going to talk about a more technical but more expensive recent CFPB enforcement action.

The Bureau has ordered RealtySouth, the largest real estate company in Alabama, to pay \$500,000 for failure to provide adequate disclosures as required by RESPA to its borrowers when it referred title business to its affiliate, TitleSouth.

Again we have a violation of Section 8 of RESPA. Apparently RealtySouth provided prospective buyers with preprinted forms either directing or suggesting that title and closing services be conducted by its affiliate, TitleSouth.

As we know, when settlement business is referred to an affiliate an “Affiliated Business Arrangement” disclosure must be given which states that the party may shop around for that service and that the party is not required to use the affiliated company. According to the CFPB the disclosure provided by RealtySouth “did not properly highlight consumer’s rights, and the required language was buried in a section of text that also made marketing claims about the company’s prices.” The disclosure did not comply with the law.

The matter was referred to the CFPB by HUD.

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