



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D.C. 20410-0001

THE SECRETARY

July 20, 2010

Ms. Mary Townley
Director of Homeownership
Michigan State Housing
Development Authority
735 East Michigan Avenue
PO Box 30044
Lansing, MI 48909

Dear Ms. Townley:

Thank you for your letter of July 1, 2010, requesting an exemption from the requirements of the Real Estate Settlement Procedures Act of 1974 (RESPA) for three Michigan subordinate loan programs that are funded under the Emergency Economic Stabilization Act of 2008, Housing Finance Agency Innovative Fund for the Hardest-Hit Housing Markets (HFA Hardest-Hit Fund). The three loan programs for which you request an exemption are Michigan's Unemployment Mortgage Subsidy Program, Loan Rescue Program, and Principal Curtailment Program. It is my understanding that all three programs: (1) require a secured lien on the participant's property; (2) provide a no-fee, zero percent interest, non-amortizing, subordinate loan that is forgivable over a 5-year term at 20 percent per year; and (3) provide the homeowner-participants (recipients) with a basic disclosure that describes the programs and the terms of the programs.

Section 19(a) of RESPA authorizes me "to grant such reasonable exemptions for classes of transactions, as may be necessary to achieve the purposes of [RESPA]." (12 U.S.C. § 2617(a).) The purposes of RESPA include effective advance disclosure. Sections 4 and 5 of RESPA and their implementing regulations contain requirements relating to the provision of an estimate of settlement costs and loan terms on a Good Faith Estimate (GFE) and of a disclosure of the actual costs and terms at closing on a uniform settlement statement (form HUD-1/1A). (12 U.S.C. §§ 2603 and 2604; 24 CFR §§3500.7 and 3500.8.) The GFE and HUD-1/1A were designed to help borrowers understand their mortgage loan costs and terms, encourage borrowers to do comparison-shopping for mortgage loans, and allow borrowers to compare the estimate of settlement costs and loan terms with the actual costs and terms at closing.

I have considered your request for an exemption and have determined that for the three subordinate loan programs that are the subject of your request: (1) the GFE and HUD-1/1A forms would be difficult to complete in a way that would help the recipients understand the transactions; and (2) for the same reasons that make the forms difficult to complete, the completed GFE and HUD-1/1A forms are likely to confuse recipients who would receive them. In addition, it appears that there are no fees assessed to the recipients; shopping for an alternative mortgage loan would not be effective for these programs; and basic program-specific disclosures, which include loan terms, are already provided to the recipients.

Therefore, pursuant to my authority under Section 19(a) of RESPA, I hereby exempt, from the requirements of Sections 4 and 5 of RESPA transactions, the following three Michigan subordinate loan programs that are funded under the Emergency Economic Stabilization Act of 2008, HFA Hardest-Hit Fund: the Unemployment Mortgage Subsidy Program, the Loan Rescue Program, and the Principal Curtailment Program. This exemption does not extend to other sections of RESPA, including the prohibitions in Section 8. This exemption remains in effect unless and until these programs are no longer in effect as described, or the exemption is subsequently withdrawn in writing. As a result of this exemption, HUD's regulations implementing Sections 4 and 5 of RESPA also do not apply to the transactions covered by the exemption.

Thank you for your commitment to helping homeowners in Michigan. Please contact Teresa B. Payne, Associate Deputy Assistant Secretary for Regulatory Affairs and Manufactured Housing, at 202-708-6401, if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Shaun Donovan", with a stylized, cursive script.

Shaun Donovan