CONSUMER MORTGAGE COALITION

September 25, 2001

The Honorable Mel Martinez
Secretary
U.S. Department of Housing
and Urban Development
Washington, D.C.

Dear Secretary Martinez:

Thank you very much for meeting with me and the other representatives of the mortgage lending industry last Wednesday to discuss the need for a clarification of HUD's Policy Statement on mortgage broker compensation. We appreciate the significant time and resources the Department is spending on this critical issue. The key points we would like to make, as set forth in greater detail below, are the following:

- Yield spread premiums ("YSPs") are a longstanding, beneficial industry practice for which HUD has historically indicated approval, both in its RESPA regulation and in its FHA program. Since their use was first challenged in a class action lawsuit back in the mid-1990's, the CMC has worked ceaselessly to obtain regulatory clarity from HUD.

- Although HUD attempted to provide the necessary guidance in its Policy Statement 1999-1, some courts, including most notably the U.S. Court of Appeals for the Eleventh Circuit, have found the Policy Statement to be ambiguous. If other courts deciding YSP class actions misinterpret the Policy Statement in the same way, the liability could exceed ***$130 billion***, thereby decimating the mortgage lending industry, with serious consequences both for HUD's efforts to increase homeownership and for the nation's financial system as a whole.

- HUD needs to resolve this issue now by making a straightforward clarification to its Policy Statement and by issuing a FHA mortgagee letter concerning the one percent fee limitation. The CMC also believes, as it has for years, that HUD should also permanently resolve the yield spread premium issue by issuing a regulation providing a safe harbor under RESPA for broker compensation, conditioned on the broker providing a disclosure of the broker's role in the transaction and its compensation. HUD could also take this opportunity to adopt such a safe harbor resolution in the context of a broader mortgage reform regulation. Such a mortgage reform regulation could streamline the disclosure process and provide consumers more certain information on closing costs early in the transaction that they can use to comparison shop for loans.

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- The industry cannot solve this issue on its own. Any lenders who tried to restructure their mortgage broker programs to eliminate yield spread premiums to, or impose strict disclosures on, mortgage brokers found themselves acting in a vacuum. In this highly competitive business, brokers simply transfer their business to lenders who do not have such restrictions. Moreover, the antitrust laws do not permit lenders to collectively act to impose restrictions or limitations. Only HUD has the express direction from Congress and the authority to regulate this industry and to provide clear rules that all lenders and brokers must follow.

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As you know, we have provided your staff with extensive materials explaining YSPs, their benefits, and their legality under RESPA, as well as proposed solutions that we believe would resolve this issue. As a follow-up to the industry meeting with you last Wednesday, I would like to make you personally aware of the continuous efforts the Consumer Mortgage Coalition has made, and the pro-consumer positions we have taken, on the issue of mortgage broker compensation, from this organization's formation in 1995 to the present day. As you will note, the CMC has been actively seeking clarification of this issue for the last six years. HUD, however, has been unwilling in the prior administration to provide any clarification until an agreement is reached between 100 percent of all industry and consumer advocacy organizations – a requirement that continues to be unrealistic, as well as an impossible threshold to overcome.

Although much time, effort, and financial resources were spent by the industry, consumer groups and Department personnel in negotiating the HUD Policy Statement in 1999, the Department was unwilling to resolve this issue in a manner that provides the certainty we need to know our practices are compliant with the law. Additionally, as a result of the 11th Circuit's decision in *Culpepper*, it is the lenders, i.e., the companies who invest their capital in and service this country's mortgages, that face the catastrophic cost of that ambiguity.

For these reasons, we have come to you, a new HUD Secretary in a new Administration, to ask you to accept the challenge of regulating this industry the way it should be regulated. HUD must issue decisive and clear rules that benefit both borrowers and lenders by creating a regulatory environment in which consumers can make informed choices and lenders can operate their businesses, without the constant prospect of having industry practices that benefit consumers challenged in litigation.

CMC's Activities Since 1995

The 1995-1996 Negotiated Rulemaking

In September 1995, HUD issued a notice of proposed rule and consideration of negotiated rulemaking process to address the uncertainty surrounding RESPA's treatment of mortgage broker compensation. HUD solicited comment in this notice on whether "indirect payments" (payments from mortgage lenders to mortgage brokers) should be disclosed, and whether HUD's current position on secondary market transactions was correct. HUD also solicited comment on whether volume-based payments from mortgage lenders to mortgage brokers should be permissible. Finally, HUD acknowledged that brokers receive compensation

from wholesale lenders under a variety of names, including "servicing release premiums," "yield spread premiums" and noted that the Appendix to the Regulation describes how to disclose these payments. HUD invited commenters to address whether any such types of compensation should be permissible under RESPA and what would be the effect of requiring disclosure of such payments.

The CMC was formed to participate in HUD's negotiated rulemaking process. Our members – large lenders with significant capital at risk – felt so strongly that they had to be at the table to hammer out a final solution to the yield spread premium issue that they organized an association (then called the Mortgage Capitol Group) to participate. (Only associations were allowed to participate, not individual companies.)

The negotiated rulemaking process involved representatives from banking associations, mortgage lending associations, the mortgage brokers association, consumer groups, and all other major trade associations affected by the proposed rule, as well as HUD and other regulators.

In the six meetings of the committee, each a two-day session, and the numerous additional side meetings and negotiations, our organization played a leading role in attempting to forge a compromise among the lenders and the consumer groups around a proposal that would provide a safe harbor exemption for lender-paid mortgage broker compensation, on the condition that a clear disclosure of the mortgage broker's role in the transaction (whether it was the agent of the lender, the borrower or an independent contractor) and the broker's maximum compensation (whether the compensation was paid by the lender and/or the borrower) were provided to the borrower early in the application process.

Significantly, all but one of the lender associations agreed to the compromise position developed and drafted by the Mortgage Capitol Group.[1] Our position was joined by one consumer organization, the AARP, the position of which at the end of the rulemaking was almost identical to ours.[2] Our organization was the principal liaison between the lenders and the consumer advocates in the negotiations.

In July 1996, HUD's Chief Administrative Law Judge issued his "Final Report on the Negotiated Rulemaking on Mortgage Broker Disclosures." The Report indicated that, while most of the participants favored a safe-harbor exemption from RESPA for mortgage broker payments based on disclosure, no consensus was reached on a proposed rule. In the former Administration, HUD's definition of "consensus" required that there be 100 percent agreement

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[1] Both Fannie Mae and Freddie Mac participated in the Negotiated Rulemaking, but focused their participation exclusively on the issue of the demarcation of the secondary market from the primary market.

[2] The organizations that reached agreement were the American Bankers Association, America's Community Bankers, American Financial Services Association, the Independent Bankers Association of America (now the Independent Community Bankers Association), Mortgage Capitol Group (now the Consumer Mortgage Coalition), RESPRO, the National Association of Federal Credit Unions, the National Association of Realtors and the American Association of Retired Persons (AARP).

The organizations that *dissented* were the Mortgage Bankers Association of America (which has brokers among its members), the National Association of Mortgage Brokers, the National Association of Consumer Advocates (NACA) and Citizen Action.

between all industry and consumer advocacy organizations – a requirement that continues to be unrealistic, as well as an impossible threshold to overcome.

HUD's October, 1997 Proposed Rule

In October 1997, HUD issued another proposed rule following the results of the negotiated rulemaking. Rather than propose the compromise reached by the vast majority of the participants in the negotiated rulemaking process, HUD proposed a "qualified safe harbor" conditioned not on a disclosure, but on the borrower and mortgage broker signing a binding contract that governed not only the broker's role and compensation but also the interest rate on the loan. Under the proposal, even if the requirements of the "qualified safe harbor" were met, the presumption of legality could be rebutted if the total compensation did not pass a subsequent test not yet established by HUD.

With this proposal all semblance of the earlier compromise coalition among lenders and consumer groups fell apart. Every banking and mortgage lending group opposed the proposal because the creation of a binding contract between the borrower and the broker governing the fees and the terms of the loan, such as interest rate, had practical problems and implications that far exceeded what had remotely been discussed in the negotiated rulemaking. Rather than a creating a disclosure scheme, it appeared that HUD had proposed federalizing a loan commitment. Moreover, even if the contract were signed, there was no clear safe harbor exemption. Thus, it appeared to us that the proposed rule did not even provide the clear guidance and certainty that the lenders had been seeking.

Despite the radical nature of this proposal, our organization, in subsequent meetings with HUD officials, was willing even to accept this alternative if the proposal was changed so that it would provide clear and unambiguous guidance to the industry on a going-forward basis. Once again, because there was no "consensus" on a resolution, HUD's proposed rule did not advance. The CMC, however, has continued to advance the position it developed in the negotiated rulemaking process for a safe harbor exemption based on disclosure, and was willing to accept almost any other solution as long as that solution provided clear and unambiguous guidance to the industry and ratified the legality of past practices.

In 1998, the CMC held numerous meetings with HUD personnel to request HUD to promulgate a clear rule with which the industry could comply. Although HUD staff acknowledged that the current situation was unacceptable and announced that the adoption of a rule was a top priority, no new proposal was advanced because, without 100 percent agreement between all interested parties, HUD would not make a policy decision.

In 1998, the CMC was also actively involved with the MBA and others to create a mortgage broker disclosure form that, if used, would reduce the potential exposure lenders face from the payment of yield spread premiums. The CMC provided a series of potential disclosure forms to HUD to spur HUD to consider requiring a disclosure of mortgage broker compensation to ensure the lender's compensation to the broker was permissible. During this year, the 11th Circuit issued its first decision in *Culpepper v. Inland Mortgage,* rejecting the lower court's holding that the loan was a "good" for which the lender could compensate the broker. In addition, the Circuit Court indicated in dicta that, based on the evidence at hand, it appeared that

the yield spread premium in that lawsuit was not a payment for services rendered by the broker to the lender. The need for a HUD rule on broker compensation became ever more urgent.

The Origins of the Policy Statement

In 1998, the CMC, working with the National Association of Mortgage Brokers, succeeded in persuading Congress to insert in the Conference Report on the HUD/VA Appropriations Act, 1999 a directive to HUD to clarify its position on lender payments to mortgage brokers. Significantly, the Conference Report stated that the Conferees "are concerned about the legal uncertainty that continues absent such a policy statement."

The CMC was actively involved in the consultations and negotiations surrounding HUD's development of its Policy Statement. Throughout the process, the CMC urged HUD to promulgate a binding regulation, along the lines of the compromise reached in the negotiated rulemaking process which would provide a safe harbor exemption for lender-paid broker compensation, conditioned on full disclosure of the broker's role and compensation. The following is an excerpt that the CMC sent to Secretary Cuomo during the development of the Policy Statement in January 1999:

> "Certainty is our chief objective. You are well aware of the class actions that the industry is facing. Aside from the class action risk, RESPA challenges are increasingly being pursued in a variety of contexts. There is a huge cost both in dollars and wasted human resources involved in fighting lawsuits and defending RESPA challenges. But the ambiguity surrounding this issue is far more than a costly distraction to lenders. It directly disadvantages many consumers. Without absolute clarity on this issue as to what procedures comply with law, lenders are forced to continue to operate their businesses based on their appetite for legal risk, which varies widely in the industry. Larger companies with significant consumer name recognition may take a conservative position on this issue, which has direct consequences on their ability to attract loans. Other lenders and brokers feel little to no risk of a legal challenge because of their size or market position, and consequently, have little incentive to voluntarily provide additional disclosures to their borrowers. A clear rule would promote compliance by all loan originators, and all consumers would benefit from a meaningful disclosure regarding the mortgage broker's role and compensation."

When it became clear that, despite our requests, HUD was not going to issue a binding regulation, we urged the Department to make sure that any policy statement clarify (i) HUD's longstanding belief that yield spread premiums are not per se illegal, and (ii) that to assess the reasonableness of a broker's compensation from a lender, however it is calculated, one has to evaluate the total compensation the broker receives from all sources with the services, goods and facilities the broker provides to the transaction as a whole.

In 1999, HUD issued its RESPA Statement of Policy 1999-1, the interpretation of which is at the heart of the current controversy. While we believe the 11th Circuit's interpretation of the Policy Statement ignored the entire thrust of the Policy Statement, it is based on the Court's view that the Policy Statement is ambiguous. We are imploring HUD now to remove this ambiguity.

Following the issuance of the Policy Statement, the litigation at first subsided. But, it did not end. In fact, several lower courts certified a class in suits alleging that yield spread premiums violated RESPA. The HUD General Counsel wrote two letters to legislators, Congressman Vento and Senator Shelby that succeeded in muddying the waters. When permitted to do so by the applicable court, the CMC, on behalf of the industry, submitted *amicus curiae* briefs in the appeal of these cases.

It is important to understand that, even following the issuance of the Policy Statement, the CMC continued to press for a more certain resolution to the broker compensation issue. During the Bush-Cheney transition, I served on the HUD transition team, and the continuing need for resolution of this issue was made clear to the new Administration. HUD missed a tremendous opportunity to put this entire problem behind us following the negotiated rulemaking. Now, six years later, the very real prospect of catastrophic liability is looming over the industry as a direct result of your predecessor's unwillingness to provide clear guidance to the industry.

Mortgage Reform and the 1997-1998 Mortgage Reform Working Group

During our efforts to resolve the issue of yield spread premiums at HUD, the CMC spearheaded another major effort to comprehensively reform the mortgage origination process. This reform effort would comprehensively address RESPA issues, including the treatment of mortgage broker compensation. The idea behind comprehensive mortgage reform was to allow consumers to shop for a loan from any loan originator, whether it be a mortgage broker or a retail lender, based on up-front disclosures of (i) the interest rate and discount points, if any, and (ii) a guaranteed, lump-sum amount for closing costs. This would be a vast improvement over current practice. Because, under current law, the closing costs are only estimated within three days following application, and not finalized until closing, consumers are not really able to be sure of the amount of closing costs they will pay, and consequently, they rarely shop among competing lenders based on closing costs. Providing a firm, not estimated, up-front disclosure of closing costs would change this scenario and enable consumers to better compare the total costs of various loans.

Providing a guaranteed lump sum closing cost amount to the consumer would also mean that lenders would begin competing for borrowers on the basis of their closing costs package, which would result in lower prices across the board.

In exchange for providing this guaranteed closing cost figure, the lenders would receive an exemption from RESPA for arrangements, including volume discounts, which they make with their settlement service providers. Because mortgage brokers would be offering the closing cost guarantees as well, their compensation would be subsumed in the closing cost amount, and their would be no need for separate disclosure of the broker fee.

In 1997, Congress asked the industry and the consumer groups to work on this comprehensive mortgage reform effort together to see if Capitol Hill could work out a compromise prior to action on the issue. As a result, the Mortgage Reform Working Group (MRWG) was formed. Much like the negotiated rulemaking process in 1995, MRWG involved representatives from every major trade association affected by the home mortgage settlement

service process. The CMC again was the principal drafter of the position papers and options for the group.

Continuous meetings of MRWG were held over a two-year period. The process finally stalled, however, as the groups were unable to reach consensus regarding issues such as which closing costs would be included with the bundle, whether the lenders' discretion to accept closing cost packages offered by non-lenders would be limited, and whether the lenders would underwrite an applicant's credit at no cost.

Significantly, the MRWG addressed substantive protections for the borrower as well as disclosures. In this regard, the CMC was on the forefront of the lending industry in offering substantive protections to borrowers, against, for example, loan flipping and excessive prepayment penalties.

Recently, the CMC, working with the ABA, ACB, CBA, MBA, and NAMB, has pursued a more limited regulatory reform that would allow the disclosure of guaranteed or "firm" closing costs and provide an exemption from Section 8 for arrangements between the lender and the providers of services that are included in the closing costs disclosure, as well as an exemption for mortgage broker compensation based on disclosure.

Despite Our Efforts, Lenders Cannot Solve This Problem

As shown above, the CMC has been unceasing in its efforts to pursue a resolution of the yield spread premium issue, both directly with HUD, in the courts, and through efforts at mortgage reform. The simple reason that this issue has been so high on our agenda for the past six years is that, given the significant increase of the percentage of this country's loans originated through mortgage brokers, and the prevalence of compensation arrangements, such as yield spread premiums, that have been scrutinized and attacked by the plaintiffs' bar, it represents the single largest potential liability we face.

In the face of this risk, it may be asked why lenders don't simply stop paying yield spread premiums. Some have tried this approach, including major financial institutions. Each has failed. With brokers now accounting for over 60% of originations, this is a distribution channel from which a mortgage lender cannot walk away. Moreover, brokers and borrowers <u>need</u> the premium pricing option, so that those who are cash poor can generate funds to pay their broker, those who want to preserve cash can do so, and those who want a "no point" loan can get one. Anti-trust laws, of course, would prevent all lenders from acting in concert to change the way mortgage brokers are paid. The industry must rely on HUD.

What confounds us is that this enormous liability attaches to a practice that has clear consumer benefits. Many consumers would not have been able to afford their homes were it not for the ability to finance their mortgage broker fees and other closing costs through their interest rate. This includes many of the "clients" that the trial lawyers have used to file class action lawsuits. At this point, however, we are prepared to accept almost any policy decision going forward as long as it applies across the board and is susceptible of certain compliance. As noted above, clarity is our chief objective.

HUD Should Clarify the 11th Circuit's Misinterpretation of the HUD Policy Statement

We urge HUD to act now to clarify its Policy Statement. The alleged ambiguity referenced by the 11th Circuit must be immediately addressed. We surely hope that HUD would not want any ambiguity in its Policy Statement to remain unaddressed.

To any unbiased observer the 11th Circuit's decision cannot be squared with HUD's Policy Statement, taken as a whole. In its Policy Statement, HUD articulated a two-step test for analyzing yield spread premiums: (i) did the broker provide actual services, goods or facilities, and (ii) was the compensation received by the broker for providing the services, goods or facilities reasonably related to their value. Importantly, HUD rejected the notion that how a payment was calculated or from whom did it come were important in the determination of the legality of broker's compensation. The total compensation received from all sources must be reviewed against the value of the total services, goods and facilities.

The Court, however, focusing on a general, loose statement in the preamble to the Policy Statement, not even the body of the Policy Statement itself, interpreted the first step of HUD's analysis to require evidence not only that goods, facilities, or services were actually provided, but also that the yield spread premium payments received were intended by the lender to be "in exchange for" these goods, facilities, or services. Under this interpretation, if it could not be demonstrably shown that the yield spread premium paid to the broker was "for" the services, goods or facilities, then the first step is not met, and there is no need to go to the second step; the yield-spread premium is therefore not subject to the Section 8(c) exception under RESPA. The Court focused only on the formula for calculating the yield spread premium, which is based on the lender's rate sheets, and which is not calculated by the lender on the amount of services the broker may have performed. This formula was at the heart of the Court's decision. The Court did not even reach the issue of the goods, services and facilities the mortgage broker actually provided for the compensation it received.

In stark contrast, the Policy Statement declared that the mechanism, i.e., the formula, used to calculate the broker's compensation is *irrelevant*. Yield spread premiums are neither per se illegal nor per se legal. Rather, the test is whether what the broker received at the end, from all sources, was reasonably related to the value of the goods, services and facilities provided. The following excerpt from the Policy Statement could not be clearer:

> "Accordingly, in analyzing whether lender payments to mortgage brokers comport with the requirements of section 8 of RESPA, HUD believes that the totality of the compensation to the mortgage broker for the loan must be examined. For example, if the lender pays the mortgage broker $600 and the borrower pays the mortgage broker $500, the total compensation of $1,100 would be examined to determine whether it is reasonably related to the goods or facilities actually furnished or services actually performed by the broker."

Indeed, HUD has never believed yield spread premiums are suspect under RESPA. The Department has for years provided the industry with guidance on how yield spread premiums should be disclosed on the good faith estimate and HUD-1 settlement statement.

When faced with such a clear misapplication of its policy by the first Federal Court of Appeals to interpret the Policy Statement,[3] when that Court gives its own wrong interpretation in part because it finds HUD's policy to be "ambiguous," and when the industry's potential liability as a result of such misinterpretation will possibly exceed $130 billion, an amount that will force most of the industry into bankruptcy, HUD must act to clarify its policy. Moreover, the clarification we seek is truly that, a brief clarification. It is not a substantive change in any respect. But without such a clarification, the industry is unfairly, but truly, at peril.

The Need for Clarification of the FHA Fee Cap

As you know, the plaintiffs' bar has launched an assault on yield spread premiums in the context of FHA loans as well. They allege that paying a broker a yield spread premium which, when added to the direct borrower charges collected by the broker, exceeds one percent of the loan amount violates FHA's one percent origination fee limitation. They allege this breaches the standard form FHA loan contract that only permits fees authorized by HUD. They also allege that the payment to the broker of a yield spread premium or a servicing release premium, which causes the total broker's compensation to exceed the one percent limit, is per se unreasonable under RESPA.

In February 2001, a U.S. District Court in Seattle in *Bjustrom v. Trust One Mortgage* certified a class on both of these claims, creating the specter of continuous large-scale, costly litigation and huge potential liability. We are aware of nearly two dozen copycat putative class actions filed since then on this same theory, ensnaring many of the largest mortgage companies.

We urge HUD to issue a mortgagee letter that clarifies that the one percent fee limitation was never intended to apply to charges other than those paid directly by the borrower, and thus specifically does not apply to yield spread premiums. It should further clarify that the limitation on direct origination charges does not in any imply that such one percent charge fully compensates the broker for the services it provides.

This has been HUD's own historical understanding of this limitation, upon which lenders have relied for years, and the Department should make this understanding formally clear to the public. The following is evidence of HUD's own understanding of the one percent limit.

In 1988, HUD issued a proposed rule to generally remove the one percent origination fee limit. In the final rule issued September 20, 1989 (54 FR 38646), HUD decided not to remove the cap, but discussed the effect of the cap in the preamble to the rule. As indicated in the preamble, HUD decided not to remove the one percent fee limit in the final rule because:

- For fixed rate mortgages, available data suggested that, "<u>while the loan origination fee cap may be set below the cost of providing loan origination services, the shortfall is easily recovered by charging higher interest rates.</u>" As a consequence, the loan origination fee cap does not appear to cause significant inefficiencies in the fixed rate loan market.

[3] The risk posed by the *Culpepper* decision can hardly be understated. An abnormally large number of class actions are pending in the three states within that court, and new cases will be filed there so as to bring the entire industry into courts governed by that circuit court.

- Public commenters in favor of eliminating the cap suggested that it was unnecessary in the highly competitive mortgage loan market and should be removed. HUD stated that "[w]hile [it] cannot disagree with this comment, it also notes that apparently the loan origination fee cap on fixed rate mortgages does not keep mortgagees from recovering loan origination costs and does not appear to cause significant inefficiencies in loan origination [because origination expenses can be recouped through the interest rate]."

- Public commenters opposed to the removal of the fee cap stated the concern that removal would lead to higher loan origination costs for mortgagors. HUD stated in response that its fixed rate data suggests otherwise because "a shortfall in mortgage origination costs can easily be recovered through adjustments to the mortgage loan interest rate; mortgagors are currently bearing loan origination costs (directly through loan origination fees and indirectly through mortgage interest rates) at the competitive level set in the marketplace. Therefore, the elimination of the loan origination fee cap would be expected to cause no change in the total origination cost for mortgagors.

This language clearly indicates that HUD intended FHA loan originators to be able to be compensated both directly from the borrower and indirectly through the interest rate (i.e., a YSP), and that the one percent cap on loan origination charges only applies to direct borrower payments. ***Furthermore, this language supports the general assertion, for all loans, that indirect compensation to a loan originator through the interest rate has historically been acceptable to HUD.***

With respect to the second claim, the idea that the one percent fee limit should dictate the reasonableness under RESPA of the broker's total compensation, from all sources, given the goods, facilities and services provided, is wholly baseless. As shown above, FHA contemplated and expected that the originator of an FHA loan would be able to receive additional compensation indirectly through the interest rate. Thus, the receipt of additional compensation through the interest rate is not only reasonable, but it allows the originator to recover its costs. However, without a mortgagee letter clarifying the scope of the one percent limitation, lenders will continue to be plagued by costly litigation.

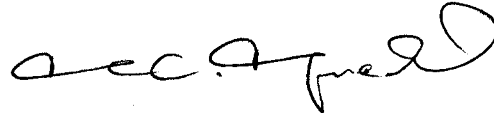
The Need for a Binding Regulation to Permanently Resolve This Problem

Finally, we urge HUD to move swiftly toward adoption of a binding regulation that provides the certain conditions under which yield spread premiums may be paid under RESPA either through a regulation focused exclusively on the issue of mortgage broker compensation, or through a regulation that would address this issue in the context of broader mortgage reform and overall streamlining of the mortgage process.

We note that earlier this year HUD officially withdrew its previous proposed rule on yield spread premiums. We hope that the withdrawal does not indicate HUD's lack of resolve. Today's HUD needs to abandon the former Administration's impossible threshold requirement that 100 percent agreement among all interested parties be reached before guidance can be provided. Only HUD can provide the regulatory clarity we need.

If HUD determines that it would prefer that the industry "self regulate," we will be more than pleased to work with you in the formation of a Self Regulatory Organization that will assume these regulatory responsibilities so that HUD can focus on other priorities. In the meantime, however, it is imperative that HUD remove the perceived ambiguity in its Policy Statement, issue a FHA mortgagee letter concerning the one percent fee limitation, and permanently resolve the yield-spread premium issue by regulation.

Sincerely,



Anne C. Canfield
Executive Director

cc: Hon. Richard Hauser, General Counsel, U.S. Department of Housing and Urban Development
Hon. John C. Weicher, Assistant Secretary for Housing and FHA Commissioner, U.S. Department of Housing and Urban Development