

110TH CONGRESS
1ST SESSION

H. R. 3725

To amend the Real Estate Settlement Procedures Act of 1974 to require the submission to each borrower under a federally related mortgage loan of a one-page description of the essential terms of the loan.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 2, 2007

Mr. AL GREEN of Texas (for himself and Mr. MCHENRY) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Real Estate Settlement Procedures Act of 1974 to require the submission to each borrower under a federally related mortgage loan of a one-page description of the essential terms of the loan.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Mortgage Disclosure
5 Simplification Act of 2007”.

1 **SEC. 2. REQUIRED DISCLOSURES REGARDING LOAN**
 2 **TERMS.**

3 The Real Estate Settlement Procedures Act of 1974
 4 is amended by inserting after section 4 (12 U.S.C. 2603)
 5 the following new section:

6 **“SEC. 4A. REQUIRED DISCLOSURES REGARDING LOAN**
 7 **TERMS.**

8 “(a) DEVELOPMENT.—The Secretary, in consultation
 9 with appropriate Federal lending regulation agencies, shall
 10 develop and prescribe standard written forms under sub-
 11 section (c) for statement of the essential terms of a feder-
 12 ally related mortgage loan.

13 “(b) REQUIREMENT TO USE.— The Secretary shall
 14 require that—

15 “(1) the forms developed pursuant to subsection
 16 (a) be used in all transactions in the United States
 17 that involve federally related mortgage loans; and

18 “(2) that in any such a transaction—

19 “(A) the form under subsection (c)(1) shall
 20 be appropriately and accurately completed by
 21 the lender or mortgage broker, or both; and

22 “(B) the completed form under subsection
 23 (c)(1) shall be provided to the borrower, to-
 24 gether with the form under subsection (c)(2),
 25 not later than three days after the application
 26 for the federally related mortgage loan is made.

1 “(c) CONTENTS.—With respect to a federally related
2 mortgage loan, the standard written forms required under
3 this subsection are as follows:

4 “(1) STATEMENT OF LOAN TERMS.—A single
5 page, written disclosure regarding the federally re-
6 lated mortgage loan that, when completed by the
7 lender or mortgage broker, or both, sets forth, in ac-
8 cordance with such requirements as the Secretary
9 shall by regulation establish—

10 “(A) a best possible estimate of—

11 “(i) the total loan amount under the
12 federally related mortgage loan;

13 “(ii) the loan-to-value ratio for the
14 loan;

15 “(iii) the final maturity date for the
16 loan;

17 “(iv) the amount and due date for any
18 balloon payment under the loan;

19 “(v) the amount of any prepayment
20 fee to be charged if the loan is paid in full
21 before the final maturity date for the loan;

22 “(vi) the initial interest rate under the
23 loan expressed as an annual percentage
24 rate, and the amount of the monthly pay-
25 ment due under such rate;

1 “(vii) the duration during which such
2 initial interest rate will be charged;

3 “(viii) the fully indexed rate of inter-
4 est under the loan expressed as an annual
5 percentage rate and the amount of the
6 monthly payment due under such rate;

7 “(ix) the maximum possible rate of in-
8 terest under the loan expressed as an an-
9 nual percentage rate and the amount of
10 the monthly payment due under such rate;

11 “(x) the monthly household income of
12 the borrower upon which the loan is based;

13 “(xi) the amount of initial monthly
14 payment due under the loan, and the
15 amount of such initial monthly payment
16 plus monthly amounts due for taxes and
17 insurance on the property for which the
18 loan is made, both expressed as a percent-
19 age of the monthly household income of
20 the borrower;

21 “(xii) the amount of the fully indexed
22 monthly payment due under the loan, and
23 the amount of such fully indexed monthly
24 payment plus monthly amounts due for
25 taxes and insurance on the property for

1 which the loan is made, both expressed as
2 a percentage of the monthly household in-
3 come of the borrower;

4 “(xiii) the aggregate amount of settle-
5 ment charges for all settlement services
6 provided in connection with the loan, the
7 amount of such charges that are included
8 in the loan amount and the amount of
9 such charges the borrower must pay at
10 closing, the aggregate amount of lender’s
11 fees connection with the loan, and the ag-
12 gregate amount of other fees or required
13 payments in connection with the loan; and

14 “(xiv) the aggregate amount of fees
15 paid to the mortgage broker in connection
16 with the loan, the amount of such fees paid
17 directly by the borrower, and any addi-
18 tional amount received by the broker from
19 the lender based on the interest rate of the
20 loan (commonly referred to as a yield
21 spread premium);

22 “(B) a name, telephone number, and elec-
23 tronic mail address that may be used by the
24 borrower to obtain information regarding the
25 loan; and

1 “(C) a prominent statement that the
2 amounts to be provided by the lender or mort-
3 gage broker, or both, under the federally related
4 mortgage loan shall be subject to final under-
5 writing of the loan.

6 “(2) STATEMENT OF DEFINITIONS AND EXPLA-
7 NATIONS.—A two-page written disclosure that sets
8 forth, in accordance with such requirements as the
9 Secretary shall, by regulation, establish, basic easy-
10 to-understand definitions or explanations, of terms
11 relating to residential mortgage loans, including each
12 of the following terms: appraised value, types of
13 loans, initial interest rate, fully indexed rate of inter-
14 est, maximum possible rate of interest, monthly
15 household income, monthly loan payment including
16 taxes and insurance, fully indexed housing expense
17 ratio, prepayment fee, balloon payment, payment op-
18 tion loan, points, closing costs, settlement services,
19 settlement charges, lender’s fees, and mortgage
20 broker.

21 “(d) SAVINGS CLAUSE.—Notwithstanding disclosure
22 pursuant to subsection (c)(1)(A) of best possible estimates
23 of the information required under such subsection with re-
24 spect to a federally related mortgage loan, the amounts
25 to be provided by the lender or mortgage broker, or both,

1 under the loan shall be subject to final underwriting of
2 the loan.”.

