

Public Law 94-205
94th Congress

An Act

To amend the Real Estate Settlement Procedures Act of 1974.

Jan. 2, 1976

[S. 2327]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Real Estate Settlement Procedures Act Amendments of 1975".

Real Estate
Settlement
Procedures Act
Amendments of
1975.

SEC. 2. Section 3(1) of the Real Estate Settlement Procedures Act of 1974 is amended—

12 USC 2601
note.
12 USC 2602.

(1) by inserting "(other than temporary financing such as a construction loan)" immediately after "includes any loan";

(2) by inserting "a first lien on" immediately after "is secured by" in subparagraph (A);

(3) by striking out "is eligible for purchase by" in subparagraph (B) (iii) and inserting in lieu thereof "is intended to be sold by the originating lender to";

(4) by striking out "or" the first time it appears in subparagraph (B) (iii);

(5) by striking out "from any" and "could" in subparagraph (B) (iii) and inserting in lieu thereof "a" and "is to", respectively; and

(6) by inserting the following immediately before the semicolon at the end of subparagraph (B) (iv): "except that for the purpose of this Act, the term 'creditor' does not include any agency or instrumentality of any State".

SEC. 3. Section 4 of the Real Estate Settlement Procedures Act of 1974 is amended—

12 USC 2603.

(1) by inserting "(a)" immediately before "The Secretary" in the first sentence;

(2) by striking out the words "minimum" and "unavoidable" in the parenthetical phrase in the first sentence;

(3) by striking out the last sentence thereof and inserting in lieu thereof the following new sentences: "The Secretary may, by regulation, permit the deletion from the form prescribed under this section of items which are not, under local laws or customs, applicable in any locality, except that such regulation shall require that the numerical code prescribed by the Secretary be retained in forms to be used in all localities. Nothing in this section may be construed to require that that part of the standard form which relates to the borrower's transaction be furnished to the seller, or to require that that part of the standard form which relates to the seller be furnished to the borrower."; and

(4) by adding at the end thereof the following new subsection:
"(b) The form prescribed under this section shall be completed and made available for inspection by the borrower at or before settlement by the person conducting the settlement, except that (1) the Secretary may exempt from the requirements of this section settlements occurring in localities where the final settlement statement is not customarily provided at or before the date of settlement, or settlements where such requirements are impractical and (2) the borrower may, in accordance

with regulations of the Secretary, waive his right to have the form made available at such time. Upon the request of the borrower to inspect the form prescribed under this section during the business day immediately preceding the day of settlement, the person who will conduct the settlement shall permit the borrower to inspect those items which are known to such person during such preceding day.”

12 USC 2604. SEC. 4. Section 5 of the Real Estate Settlement Procedures Act of 1974 is amended—

(1) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively;

(2) by inserting after subsection (b) the following new subsection:

“(c) Each lender shall include with the booklet a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement as prescribed by the Secretary.”;

(3) by striking out “an application” in the first sentence of subsection (d), as redesignated by paragraph (1) of this section, and inserting in lieu thereof “or for whom it prepares a written application”; and

(4) by inserting “or preparation” immediately after “receipt” in the second sentence of subsection (d), as redesignated by paragraph (1) of this section.

Repeal. SEC. 5. Section 6 of the Real Estate Settlement Procedures Act of 12 USC 2605. 1974 is repealed.

Repeal. SEC. 6. Section 7 of the Real Estate Settlement Procedures Act of 12 USC 2606. 1974 is repealed.

12 USC 2607. SEC. 7. Section 8 of the Real Estate Settlement Procedures Act of 1974 is amended in subsection (c) by striking out “or” immediately before “(2)”, and by inserting before the period at the end thereof the following: “, or (3) payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers, or (4) such other payments or classes of payments or other transfers as are specified in regulations prescribed by the Secretary, after consultation with the Attorney General, the Administrator of Veterans’ Affairs, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Secretary of Agriculture”.

12 USC 2609. SEC. 8. Section 10 of the Real Estate Settlement Procedures Act of 1974 is amended to read as follows:

“ESCROW ACCOUNTS

“SEC. 10. A lender, in connection with a federally related mortgage loan, may not require the borrower or prospective borrower—

“(1) to deposit in any escrow account which may be established in connection with such loan for the purpose of assuring payment of taxes, insurance premiums, or other charges with respect to the property, in connection with the settlement, an aggregate sum (for such purpose) in excess of a sum that will be sufficient to pay such taxes, insurance premiums and other charges attributable to the period beginning on the last date on which each such charge would

have been paid under the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, and ending on the due date of its first full installment payment under the mortgage, plus one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period; or

“(2) to deposit in any such escrow account in any month beginning with the first full installment payment under the mortgage a sum (for the purpose of assuring payment of taxes, insurance premiums and other charges with respect to the property) in excess of the sum of (A) one-twelfth of the total amount of the estimated taxes, insurance premiums and other charges which are reasonably anticipated to be paid on dates during the ensuing twelve months which dates are in accordance with the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, plus (B) such amount as is necessary to maintain an additional balance in such escrow account not to exceed one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period: *Provided, however,* That in the event the lender determines there will be or is a deficiency he shall not be prohibited from requiring additional monthly deposits in such escrow account to avoid or eliminate such deficiency.”

SEC. 9. Section 18 of the Real Estate Settlement Procedures Act of 1974 is amended by striking out subsection (b) and by striking out “(a)” in subsection (a). 12 USC 2616.

SEC. 10. The Real Estate Settlement Procedures Act of 1974 is amended by redesignating section 19 as section 20 and by inserting the following new section immediately after section 18: 12 USC 2601 note.

“AUTHORITY OF THE SECRETARY

“SEC. 19. (a) The Secretary is authorized to prescribe such rules and regulations, to make such interpretations, and to grant such reasonable exemptions for classes of transactions, as may be necessary to achieve the purposes of this Act. Rules and regulations. 12 USC 2617.

“(b) No provision of this Act or the laws of any State imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary or the Attorney General, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.”

SEC. 11. Section 121(c) of the Truth in Lending Act is repealed.

Repeal.
15 USC 1631.

Effective date.
12 USC 2602
note.

12 USC 2603,
2604.

SEC. 12. The provisions of this Act and the amendments made hereby shall become effective upon enactment. The Secretary may suspend for up to one hundred and eighty days from the date of enactment of this Act any provision of section 4 and section 5 of the Real Estate Settlement Procedures Act of 1974, as amended by this Act.

Approved January 2, 1976.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 94-667 (Comm. on Banking, Currency, and Housing) and 94-769 (Comm. of Conference).

SENATE REPORT No. 94-410 (Comm. on Banking, Housing, and Urban Affairs).

CONGRESSIONAL RECORD, Vol. 121 (1975):

Oct. 9, considered and passed Senate.

Nov. 17, considered and passed House, amended.

Dec. 8, Senate concurred in House amendments with amendments.

Dec. 19, House and Senate agreed to conference report.