



## NAILTA Supports Fed Rule on LOs

NAILTA issued a letter to Fed Reserve Chairman Ben Bernanke in support of the Federal Reserve Board's definition of the term "affiliate" as a single person for the purposes of the loan originator compensation rule set forth in Regulation Z. [Click above for more details.](#)

### NAILTA Supports Fed Rule on LOs

NAILTA issued a letter to Fed Reserve Chairman Ben Bernanke in support of the Federal Reserve Board's definition of the term "affiliate" as a *single person* for the purposes of the loan originator compensation rule set forth in Regulation Z. [Click above for more details.](#)

Recently, NAILTA became aware of comments that were filed by various real estate related trade associations<sup>[1]</sup> contesting the Federal Reserve Board of Governors' final rule regarding loan originator compensation practices<sup>[2]</sup> and, in particular, the definitions of the terms "affiliate" and "third party charges" therein. The trade associations argue that the Federal Reserve (the Board) interpretation of those important terms would cause "irreparable injury to the various members of [their] associations, to competition in the marketplace and to consumers if adopted."<sup>[3]</sup>

Ironically, NAILTA believes it is these same trade associations, through their business affiliations, who have stifled competition in the real estate settlement marketplace, eliminated healthy competition and stymied consumer choice when it comes to the selection of a real estate settlement service provider. Since the 1980's, each of the trade associations who authored the February 28<sup>th</sup> correspondence have benefitted from a coordinated effort to consolidate and steer the services of all real estate settlement providers, including title insurance, to one source called a "one-stop shop" in the hopes of dominating local, regional and national real estate service markets.

As a byproduct of this process, real estate firms, mortgage companies and banks have stretched out into all areas of the real estate settlement service field in an attempt to consolidate such services as title insurance, surveying, mortgage origination, homeowner's insurance, and appraisals into their "one-stop shops." The trade associations now believe that the Board's new prohibitions concerning dual source compensation will prevent current and further consolidation efforts. They even argue that such a rule would harm consumers and competition alike.

NAILTA rejects the CBA trade association argument that the rule harms consumers or competition and advises the Board to do the same. Even by their own data, consumers lack an understanding of what "one-stop shops" are and an overwhelming majority of consumers do not believe there is any real benefit to using one.<sup>[4]</sup> Further, NAILTA members can provide the Board with a plethora of national examples of actual anti-competitive market practices perpetrated by the trade associations and their members in real estate transactions across the United States; whether from strong-arm steering of consumers to their affiliate "one-stop shops" or by referral sources unilaterally preventing independent real estate service providers from acting as real estate settlement mediums.

NAILTA supports the Board's definition of the term "affiliate" as a *single person* for the purposes of the loan originator compensation rule set forth in Regulation Z.<sup>[5]</sup> Affiliated business arrangements, as found within the title insurance industry, which consist of co-ownership of a title insurance entity by a referral source (i.e. a bank, a mortgage company, a homebuilder, or a real estate firm) and a title insurance agency are by their own definition a single entity. After all, the corresponding trade associations refer to the "affiliate" as a "one-stop" shop. Treating them differently for purposes of the Board rule ignores their own intent – a single location for all real estate settlement services.