



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 14, 2012

H.R. 2446
RESPA Home Warranty Clarification Act of 2011

*As ordered reported by the House Committee on Financial Services
on March 27, 2012*

Under current law, entities that provide settlement services for real estate transactions involving federally related mortgages may pay or accept fees to recommend a specific service provider only if that provider actually performs the service for which the fee was paid. (Settlement services include activities such as document preparation, title searches, and property appraisals.) H.R. 2446 would amend current law to allow such fees to be paid for home warranty services or service contracts to repair or replace home appliances and other components of a home, regardless of who provides the service.

The bill also would require new disclosures to the purchaser of a home when the transaction involves a federally related mortgage. Specifically, H.R. 2446 would require:

- Providers of home warranty services to note instances when persons not employed by the provider are paid to perform certain services, and
- Real estate brokers and agents to disclose the receipt of compensation to recommend home warranty or other residential services.

Based on information from the Bureau of Consumer Financial Protection and other agencies with authority to regulate activities related to federally related mortgages, CBO expects that implementing the requirements in the bill would not significantly increase the workload of any of the affected agencies. CBO estimates that enacting H.R. 2446 would increase direct spending; therefore, pay-as-you-go procedures apply. However, CBO expects that such effects on spending would be insignificant, that is, less than \$500,000 annually. Further, CBO estimates that enacting the bill would not affect revenues or discretionary spending.

H.R. 2446 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

The disclosure and notice requirements in H.R. 2446 are private-sector mandates, as defined in UMRA. According to industry sources, the cost to provide such notices would be small. Therefore, CBO estimates that the cost to the private sector of complying with the mandates would fall well below the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Paige Piper/Bach (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.