

RESPA Dos and Don'ts

RESPA DOs

Real estate brokers and agents must comply with the Real Estate Settlement Procedures Act, or RESPA. Violators of RESPA may receive harsh penalties, including triple damages, fines, and even imprisonment. Here are a few examples of what RESPA allows.

RESPA...

Allows a title agent to provide, during an open house, a modest food tray in connection with the title company's marketing information indicating that the refreshments are sponsored by the title company.

Allows a home inspection company to sponsor association events when representatives from that company also attend and to post a sign identifying its services and sponsorship of the event.

Allows you to jointly advertise with a mortgage broker if you pay a share of the costs in proportion with your prominence in the advertisement.

Allows a lender to pay you fair market value to rent a desk, copy machine and phone line in your office to prequalify applicants.

Allows a hazard insurance company to give you marketing materials such as notepads, pens, and desk blotters, which promote the hazard insurance company's name.

Allows a title agent to pay for your dinner when business is discussed, provided that such dinners are not a regular occurrence.

Speak with a RESPA attorney to make sure you comply with all applicable laws. Some state and local laws prohibit activities that are permissible under RESPA.

RESPA DON'Ts

RESPA prohibits giving or receiving anything for the referral of settlement services, subject to certain exceptions. Violators of RESPA may receive harsh penalties, including triple damages, fines, and even imprisonment. Here are a few of the examples of what RESPA prohibits.

RESPA...

Prohibits a title company from regularly providing dinner and receptions for real estate agents.

Prohibits acceptance of discounted or free business equipment, such as a free lockbox.

Prohibits acceptance of reimbursement of the cost for an open house lunch from a mortgage broker who does not display any marketing materials at the event.

Prohibits acceptance of a dinner paid for by a home inspector who does not attend the dinner to market his/her services to you.

Prohibits acceptance of contributions from a title company to offset the cost of a real estate agent's promotional event except to the extent of the value of any marketing done by the title company during that event.

Prohibits accepting gifts from mortgage brokers, such as paying your greens fees.

Prohibits a mortgage broker or title company from paying for your tickets to a sporting event.

Prohibits participation in a tropical "getaway" weekend, the cost of which is underwritten by a title company, during which only two hours is dedicated to marketing by the title company and the remainder is recreation.

Don't EVER accept payment from a mortgage lender just for taking a loan application.

Disclaimer: The DOs and DON'Ts examples listed here are not all-inclusive and small variations in the facts can lead to different outcomes. They also do not take into consideration any additional regulations that may have been imposed in your state, which may prohibit activities that are permissible under RESPA. Speak with a RESPA attorney to make sure you comply with all applicable laws.

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