

STATE OF OKLAHOMA

2nd Session of the 50th Legislature (2006)

SENATE BILL 1689

By: Crain

AS INTRODUCED

An Act relating to real estate; creating the Oklahoma Real Estate Settlement Practices Act; providing short title; stating legislative findings; providing definitions; requiring certain notices concerning federally related mortgage loans; providing procedure for such notices; providing exception; requiring transferee servicer to provide certain notice to borrower; providing procedure for such notices; providing exception; prohibiting certain late fee; requiring servicer to provide certain information upon request; establishing certain duties of the servicer; providing penalties; providing exception to liability; requiring servicer to make certain timely payments from escrow account; providing conditions for compliance; providing definitions; providing exceptions to liability; requiring Insurance Commissioner to promulgate rules; limiting applicability of provisions of the act; requiring some rules emulate federal law; prohibiting certain referrals and splitting of charges; providing exceptions; providing penalties; providing exception; authorizing Insurance Commissioner to bring certain cause of action; allowing for certain attorney fees; construing laws; prohibiting certain acts of seller; providing penalty; prohibiting certain acts of lender; requiring servicer to notify borrower of any shortage of funds in escrow account; requiring certain duties of servicer regarding escrow account; providing penalties; prohibiting certain fees; stating validity of act on certain real estate transactions; requiring Insurance Commissioner to promulgate rules; conforming rules to federal law; limiting liability in certain situations; creating certain authority of Insurance Commissioner; authorizing district court to require subpoena compliance; providing for contempt of court for failure to comply; creating a revolving fund; providing for codification; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5201 of Title 36, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited to as the "Oklahoma Real Estate Settlement Practices Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5202 of Title 36, unless there is created a duplication in numbering, reads as follows:

The Legislature finds that significant reforms in the real estate settlement process are needed and the gist of federal law should be adopted in Oklahoma law to allow the Insurance Commissioner to facilitate local enforcement of such laws.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5203 of Title 36, unless there is created a duplication in numbering, reads as follows:

For purposes of this act the following definitions shall apply:

1. "Federally related mortgage loan" means any loan other than temporary financing such as a construction loan which:

- a. is secured by a first or subordinate lien on residential real property including individual units of condominiums and cooperatives designed principally for the occupancy of from one to four families, including any such secured loan, the proceeds of which are used to prepay or pay off an existing loan secured by the same property, and
- b. (1) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the federal government, or is made in whole or in part by any lender which is regulated by any agency of the federal government,
(2) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the federal government or under or in connection with a

- housing or urban development program administered by the Secretary or a housing or related program administered by any other such officer or agency,
- (3) is intended to be sold by the originating lender to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, or a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation, or
- (4) is made in whole or in part by any "creditor", as defined in 15 U.S.C., Section 1602(f), who makes or invests in residential real estate loans aggregating more than One Million Dollars (\$1,000,000.00) per year, except that for the purpose of this chapter, the term "creditor" does not include any agency or instrumentality of any state;

2. "Thing of value" means any payment, advance, funds, loan, service, or other consideration;

3. "Settlement services" means any service provided in connection with a real estate settlement including, but not limited to, the following: title searches, title examinations, the provision of title certificates, title insurance, services rendered by an attorney, the preparation of documents, property surveys, the rendering of credit reports or appraisals, pest and fungus inspections, services rendered by a real estate agent or broker, the origination of a federally related mortgage loan including, but not limited to, the taking of loan applications, loan processing, and the underwriting and funding of loans, and the handling of the processing, and closing or settlement;

4. "Title company" means any institution which is qualified to issue title insurance, directly or through its agents, and also refers to any duly authorized agent of a title company;

5. "Person" means individuals, corporations, associations, partnerships, and trusts;

6. "Secretary" means the Secretary of Housing and Urban Development;

7. "Affiliated business arrangement" means an arrangement in which:

- a. a person who is in a position to refer business incident to or a part of a real estate settlement service involving a federally related mortgage loan, or an associate of such person, has either an affiliate relationship with or a direct or beneficial ownership interest of more than one percent (1.0%) in a provider of settlement services, and
- b. either of such persons directly or indirectly refers such business to that provider or affirmatively influences the selection of that provider;

8. "Associate" means one who has one or more of the following relationships with a person in a position to refer settlement business:

- a. a spouse, parent, or child of such person,
- b. a corporation or business entity that controls, is controlled by, or is under common control with such person,
- c. an employer, officer, director, partner, franchisor, or franchisee of such person, or
- d. anyone who has an agreement, arrangement, or understanding with such person, the purpose or substantial effect of which is to enable the person in

a position to refer settlement business to benefit financially from the referrals of such business; and

9. "Commissioner" means the Insurance Commissioner of the State of Oklahoma.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5204 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Each person who makes a federally related mortgage loan shall disclose to each person who applies for the loan, at the time of application for the loan, whether the servicing of the loan may be assigned, sold, or transferred to any other person at any time while the loan is outstanding. Each servicer of any federally related mortgage loan shall notify the borrower in writing of any assignment, sale, or transfer of the servicing of the loan to any other person.

B. Except as provided under paragraphs 1 and 2 of this subsection, the notice required under subsection A of this section shall be made to the borrower not less than fifteen (15) days before the effective date of transfer of the servicing of the mortgage loan with respect to which such notice is made.

1. The notice required under subsection A of this section shall be made to the borrower not more than thirty (30) days after the effective date of assignment, sale, or transfer of the servicing of the mortgage loan with respect to which such notice is made in any case in which the assignment, sale, or transfer of the servicing of the mortgage loan is preceded by:

- a. termination of the contract for servicing the loan for cause,
- b. commencement of proceedings for bankruptcy of the servicer, or
- c. commencement of proceedings by the Federal Deposit Insurance Corporation or the Resolution Trust

Corporation for conservatorship or receivership of the servicer or an entity by which the servicer is owned or controlled.

2. The provisions of this subsection shall not apply to any assignment, sale, or transfer of the servicing of any mortgage loan if the person who makes the loan provides to the borrower, at settlement with respect to the property for which the mortgage loan is made, written notice under paragraph 3 of this subsection of such transfer.

3. The notice required under subsection A of this section shall include the following information:

- a. the effective date of transfer of the servicing described in such paragraph,
- b. the name, address, and toll-free or collect call telephone number of the transferee servicer,
- c. a toll-free or collect call telephone number for (1) an individual employed by the transferor servicer, or (2) the department of the transferor servicer, that can be contacted by the borrower to answer inquiries relating to the transfer of servicing,
- d. the name and toll-free or collect call telephone number for (1) an individual employed by the transferee servicer, or (2) the department of the transferee servicer, that can be contacted by the borrower to answer inquiries relating to the transfer of servicing,
- e. the date on which the transferor servicer who is servicing the mortgage loan before the assignment, sale, or transfer will cease to accept payments relating to the loan and the date on which the transferee servicer will begin to accept such payments,

- f. any information concerning the effect the transfer may have, if any, on the terms of or the continued availability of mortgage life or disability insurance or any other type of optional insurance and what action, if any, the borrower must take to maintain coverage, and
- g. a statement that the assignment, sale, or transfer of the servicing of the mortgage loan does not affect any term or condition of the security instruments other than terms directly related to the servicing of such loan.

C. Each transferee servicer to whom the servicing of any federally related mortgage loan is assigned, sold, or transferred shall notify the borrower of any such assignment, sale, or transfer.

1. Except as provided in paragraphs 2 and 3 of this subsection, the notice required under this subsection shall be made to the borrower not more than fifteen (15) days after the effective date of transfer of the servicing of the mortgage loan with respect to which such notice is made.

2. The notice required under this subsection shall be made to the borrower not more than thirty (30) days after the effective date of assignment, sale, or transfer of the servicing of the mortgage loan with respect to which such notice is made in any case in which the assignment, sale, or transfer of the servicing of the mortgage loan is preceded by:

- a. termination of the contract for servicing the loan for cause,
- b. commencement of proceedings for bankruptcy of the servicer, or
- c. commencement of proceedings by the Federal Deposit Insurance Corporation or the Resolution Trust Corporation for conservatorship or receivership of the

servicer or an entity by which the servicer is owned or controlled.

3. The provisions of paragraphs 1 and 2 of this subsection shall not apply to any assignment, sale, or transfer of the servicing of any mortgage loan if the person who makes the loan provides to the borrower, at settlement with respect to the property for which the mortgage loan is made, written notice under paragraph 3 of this subsection of such transfer.

4. Any notice required under this subsection shall include the information described in paragraph 3 of subsection B of this section.

D. During the sixty-day period beginning on the effective date of transfer of the servicing of any federally related mortgage loan, a late fee may not be imposed on the borrower with respect to any payment on such loan and no such payment may be treated as late for any other purposes, if the payment is received by the transferor servicer, rather than the transferee servicer who should properly receive payment, before the due date applicable to such payment.

E. 1. If any servicer of a federally related mortgage loan receives a qualified written request from the borrower or an agent of the borrower for information relating to the servicing of such loan, the servicer shall provide a written response acknowledging receipt of the correspondence within twenty (20) days excluding legal public holidays, Saturdays, and Sundays unless the action requested is taken within such period.

2. For purposes of this subsection, a qualified written request shall be a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, that:

- a. includes, or otherwise enables the servicer to identify, the name and account of the borrower, and
- b. includes a statement of the reasons for the belief of the borrower, to the extent applicable, that the

account is in error or provides sufficient detail to the servicer regarding other information sought by the borrower.

3. Not later than sixty (60) days, excluding legal public holidays, Saturdays, and Sundays, after the receipt from any borrower of any qualified written request under paragraph 1 of this subsection and, if applicable, before taking any action with respect to the inquiry of the borrower, the servicer shall:

- a. make appropriate corrections in the account of the borrower, including the crediting of any late charges or penalties, and transmit to the borrower a written notification of such correction which shall include the name and telephone number of a representative of the servicer who can provide assistance to the borrower,
- b. after conducting an investigation, provide the borrower with a written explanation or clarification that includes:
 - (1) to the extent applicable, a statement of the reasons for which the servicer believes the account of the borrower is correct as determined by the servicer, and
 - (2) the name and telephone number of an individual employed by, or the office or department of, the servicer who can provide assistance to the borrower, or
- c. after conducting an investigation, provide the borrower with a written explanation or clarification that includes:
 - (1) information requested by the borrower or an explanation of why the information requested is

unavailable or cannot be obtained by the servicer, and

- (2) the name and telephone number of an individual employed by, or the office or department of, the servicer who can provide assistance to the borrower.

4. During the sixty-day period beginning on the date of the servicer's receipt from any borrower of a qualified written request relating to a dispute regarding the borrower's payments, a servicer may not provide information regarding any overdue payment, owed by such borrower and relating to such period or qualified written request, to any consumer reporting agency as defined under 15 U.S.C., Section 1681a.

F. Whoever fails to comply with any provision of this section shall be liable to the borrower for each such failure in the following amounts:

1. In the case of any action by an individual, an amount equal to the sum of:

- a. any actual damages to the borrower as a result of the failure, and
- b. any additional damages, as the court may allow, in the case of a pattern or practice of noncompliance with the requirements of this section, in an amount not to exceed One Thousand Dollars (\$1,000.00);

2. In the case of a class action, an amount equal to the sum of:

- a. any actual damages to each of the borrowers in the class as a result of the failure, and
- b. any additional damages, as the court may allow, in the case of a pattern or practice of noncompliance with the requirements of this section, in an amount not greater than One Thousand Dollars (\$1,000.00) for each

member of the class, except that the total amount of damages under this subparagraph in any class action may not exceed the lesser of:

- (1) Five Hundred Thousand Dollars (\$500,000.00), or
- (2) One percent (1%) of the net worth of the servicer;

3. In addition to the amounts under paragraph 1 or 2 of this subsection, in the case of any successful action under this section, the costs of the action, together with any attorney fees incurred in connection with such action as the court may determine to be reasonable under the circumstances; and

4. A transferor or transferee servicer shall not be liable under this subsection for any failure to comply with any requirement under this section if, within sixty (60) days after discovering an error whether pursuant to a final written examination report or the servicer's own procedures and before the commencement of an action under this subsection and the receipt of written notice of the error from the borrower, the servicer notifies the person concerned of the error and makes whatever adjustments are necessary in the appropriate account to ensure that the person will not be required to pay an amount in excess of any amount that the person otherwise would have paid.

G. If the terms of any federally related mortgage loan require the borrower to make payments to the servicer of the loan for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, the servicer shall make payments from the escrow account for such taxes, insurance premiums, and other charges in a timely manner as such payments become due.

H. Notwithstanding any provision of state law or rule, a person who makes a federally related mortgage loan or a servicer shall be considered to have complied with the provisions of any such state

law or rule requiring notice to a borrower at the time of application for a loan or transfer of the servicing of a loan if such person or servicer complies with the requirements under this section regarding timing, content, and procedures for notification of the borrower.

I. For purposes of this section:

1. "Effective date of transfer" means the date on which the mortgage payment of a borrower is first due to the transferee servicer of a mortgage loan pursuant to the assignment, sale, or transfer of the servicing of the mortgage loan;

2. "Servicer" means the person responsible for servicing of a loan including the person who makes or holds a loan if such person also services the loan. The term does not include:

- a. the Federal Deposit Insurance Corporation or the Resolution Trust Corporation, in connection with assets acquired, assigned, sold, or transferred pursuant to 12 U.S.C., Section 1823(c), or as receiver or conservator of an insured depository institution, and
- b. the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Resolution Trust Corporation, or the Federal Deposit Insurance Corporation in any case in which the assignment, sale, or transfer of the servicing of the mortgage loan is preceded by:
 - (1) termination of the contract for servicing the loan for cause,
 - (2) commencement of proceedings for bankruptcy of the servicer, or
 - (3) commencement of proceedings by the Federal Deposit Insurance Corporation or the Resolution

Trust Corporation for conservatorship or receivership of the servicer or an entity by which the servicer is owned or controlled; and

3. "Servicing" means receiving any scheduled periodic payments from a borrower pursuant to the terms of any loan, including amounts for escrow accounts described in Section 8 of this act, and making the payments of principal and interest and such other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the loan.

J. 1. A person who makes a federally related mortgage loan shall not be liable to a borrower because of a failure of such person to comply with subsection A of this section with respect to an application for a loan made by the borrower before the rules referred to in paragraph 3 of this subsection take effect.

2. A servicer of a federally related mortgage loan shall not be liable to a borrower because of a failure of the servicer to perform any duty under subsections C, D or E of this section that arises before the rules referred to in paragraph 3 of this section take effect.

3. The Insurance Commissioner shall promulgate any rules necessary to implement the provisions of this section.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5205 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. This act does not apply to credit transactions involving extensions of credit:

1. Primarily for business, commercial, or agricultural purposes; or

2. To government or governmental agencies or instrumentalities.

B. In prescribing rules under subsection A of Section 11 of this act, the Insurance Commissioner shall ensure that, with respect to subsection A of this section, the exemption for credit

transactions involving extensions of credit primarily for business, commercial, or agricultural purposes, as provided in paragraph 1 of subsection A of this section shall be the same as the exemption for such credit transactions under 15 U.S.C., Section 1603(1).

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5206 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. No person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.

B. No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.

C. Nothing in this section shall be construed as prohibiting the following:

1. The payment of a fee to an attorney at law for services actually rendered or by a title company to its duly appointed agent for services actually performed in the issuance of a policy of title insurance or by a lender to its duly appointed agent for services actually performed in the making of a loan;

2. The payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed;

3. Payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers;

4. Affiliated business arrangements so long as:

a. a disclosure is made of the existence of such an arrangement to the person being referred and, in

connection with such referral, such person is provided a written estimate of the charge or range of charges generally made by the provider to which the person is referred:

- (1) in the case of a face-to-face referral or a referral made in writing or by electronic media, at or before the time of the referral and compliance with this requirement in such case may be evidenced by a notation in a written, electronic, or similar system of records maintained in the regular course of business,
- (2) in the case of a referral made by telephone within three (3) business days after the referral by telephone, and in such case an abbreviated verbal disclosure of the existence of the arrangement and the fact that a written disclosure will be provided within three (3) business days shall be made to the person being referred during the telephone referral, or
- (3) in the case of a referral by a lender, including a referral by a lender to an affiliated lender, at the time the estimates required under 12 U.S.C., Section 2604(c), are provided, notwithstanding divisions (1) and (2) of this subparagraph, and
- (4) any required written receipt of such disclosure without regard to the manner of the disclosure under this paragraph may be obtained at the closing or settlement except that a person making a face-to-face referral who provides the written disclosure at or before the time of the referral shall attempt to obtain any required written

receipt of such disclosure at such time and if the person being referred chooses not to acknowledge the receipt of the disclosure at that time, that fact shall be noted in the written, electronic, or similar system of records maintained in the regular course of business by the person making the referral,

- b. such person is not required to use any particular provider of settlement services, and
- c. the only thing of value that is received from the arrangement, other than the payments permitted under this subsection, is a return on the ownership interest or franchise relationship; or

5. Such other payments or classes of payments or other transfers as are specified in rules prescribed by the Insurance Commissioner. For purposes of the preceding sentence, the following shall not be considered a violation of subparagraph b of paragraph 4 of this subsection:

- a. any arrangement that requires a buyer, borrower, or seller to pay for the services of an attorney, credit reporting agency, or real estate appraiser chosen by the lender to represent the lender's interest in a real estate transaction, or
- b. any arrangement where an attorney or law firm represents a client in a real estate transaction and issues or arranges for the issuance of a policy of title insurance in the transaction directly as agent or through a separate corporate title insurance agency that may be established by that attorney or law firm and operated as an adjunct to the law practice of the attorney or law firm.

D. 1. Any person or persons who violate the provisions of this section shall be fined not more than Ten Thousand Dollars (\$10,000.00) or imprisoned for not more than one year, or both.

2. Any person or persons who violate the prohibitions or limitations of this section shall be jointly and severally liable to the person or persons charged for the settlement service involved in the violation in an amount equal to three (3) times the amount of any charge paid for such settlement service.

3. No person or persons shall be liable for a violation of the provisions of subparagraph a of paragraph 4 of subsection C of this section if such person or persons proves by a preponderance of the evidence that such violation was not intentional and resulted from a bona fide error, notwithstanding maintenance of procedures that are reasonably adapted to avoid such error.

4. The Insurance Commissioner may bring an action to enjoin violations of this section.

5. In any private action brought pursuant to this subsection, the court may award to the prevailing party the court costs of the action together with reasonable attorney fees.

6. No other provision of state law or rule that imposes more stringent limitations on affiliated business arrangements shall be construed as being inconsistent with this section.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5207 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. No seller of property that will be purchased with the assistance of a federally related mortgage loan shall require directly or indirectly, as a condition to selling the property, that title insurance covering the property be purchased by the buyer from any particular title company.

B. Any seller who violates the provisions of subsection A of this section shall be liable to the buyer in an amount equal to three (3) times all charges made for such title insurance.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5208 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. 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 (12) 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, and

- 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, the lender shall not be prohibited from requiring additional monthly deposits in such escrow account to avoid or eliminate such deficiency.

B. If the terms of any federally related mortgage loan require the borrower to make payments to the servicer, as defined in 12 U.S.C., Section 2605(i), of the loan for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, the servicer shall notify the borrower not less than annually of any shortage of funds in the escrow account.

- C. 1. a. Any servicer that has established an escrow account in connection with a federally related mortgage loan shall submit to the borrower for which the escrow account has been established a statement clearly itemizing the estimated taxes, insurance premiums, and other charges that are reasonably anticipated to be paid from the escrow account during the first twelve (12) months after the establishment of the account and the anticipated dates of such payments.
- b. The statement required under subparagraph a of paragraph 1 of this subsection shall be submitted

to the borrower at closing with respect to the property for which the mortgage loan is made or not later than the expiration of the forty-five-day period beginning on the date of the establishment of the escrow account.

c. Any servicer may submit the statement required under subparagraph a of paragraph 1 of this subsection to the borrower at closing and may incorporate such statement in the uniform settlement statement required under 12 U.S.C., Section 2603.

2. a. Any servicer that has established or continued an escrow account in connection with a federally related mortgage loan shall submit to the borrower for which the escrow account has been established or continued a statement clearly itemizing, for each period described in subparagraph b of this paragraph during which the servicer services the escrow account, the amount of the borrower's current monthly payment, the portion of the monthly payment being placed in the escrow account, the total amount paid into the escrow account during the period, the total amount paid out of the escrow account during the period for taxes, insurance premiums, and other charges, as separately identified, and the balance in the escrow account at the conclusion of the period.

b. The statement required under subparagraph a of this paragraph shall be submitted to the borrower not less than once for each twelve-month period, the first such period beginning on January 1, 2006, and shall be submitted not more than thirty (30) days after the conclusion of each such one-year period.

D. 1. In the case of each failure to submit a statement to a borrower as required under subsection C of this section, the Insurance Commissioner shall assess to the lender or escrow servicer failing to submit the statement a civil penalty of not to exceed One Thousand Dollars (\$1,000.00) for each such failure, but the total amount imposed on such lender or escrow servicer for all such failures during any twelve-month period referred to in subsection C of this section may not exceed One Hundred Thousand Dollars (\$100,000.00).

2. If any failure to which paragraph 1 of this subsection applies is due to intentional disregard of the requirement to submit the statement, then, with respect to such failure:

- a. the penalty imposed under paragraph 1 shall be One Hundred Dollars (\$100.00), and
- b. in the case of any penalty determined under subparagraph a of this paragraph, the One Hundred Thousand Dollars (\$100,000.00) limitation under paragraph 1 of this subsection shall not apply.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5209 of Title 36, unless there is created a duplication in numbering, reads as follows:

No fee shall be imposed or charge made upon any other person, as a part of settlement costs or otherwise, by a lender in connection with a federally related mortgage loan made by it or a loan for the purchase of a mobile home, or by a servicer, as the term is defined under 12 U.S.C., Section 2605(i), for or on account of the preparation and submission by such lender or servicer of the statement or statements required in connection with such loan by 12 U.S.C., Section 2603, and subsection C of Section 8 of this act or by the Truth in Lending Act, 15 U.S.C., Section 1601 et seq.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5210 of Title 36, unless there is created a duplication in numbering, reads as follows:

Nothing in this act shall affect the validity or enforceability of any sale or contract for the sale of real property or any loan, loan agreement, mortgage, or lien made or arising in connection with a federally related mortgage loan.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5211 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Insurance Commissioner is authorized to promulgate such rules as are necessary to implement the provisions of this act and 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. Any such rules promulgated shall be consistent with the Real Estate Settlement Procedures Act (RESPA), 12 U.S.C., Section 2601 et seq., federal rules on RESPA and rulings of the United States Court of Appeals for the Tenth Circuit and the United States Supreme Court on RESPA.

B. No provision of this act or the laws of this state imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or interpretation thereof by the Commissioner or the Attorney General, notwithstanding that after such act or omission has occurred, such rule or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

C. 1. The Commissioner may investigate any facts, conditions, practices, or matters that may be deemed necessary or proper to aid in the enforcement of the provisions of this act, in prescribing of rules thereunder, or in securing information to serve as a basis for recommending further legislation concerning real estate settlement practices. To aid in the investigations, the Commissioner is

authorized to hold such hearings, administer such oaths, and require by subpoena the attendance and testimony of such witnesses and production of such documents as the Commissioner deems advisable.

2. Any district court of the State of Oklahoma within the jurisdiction of which an inquiry is carried on may, in the case of contumacy or refusal to obey a subpoena of the Commissioner issued under this section, issue an order requiring compliance therewith; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5212 of Title 36, unless there is created a duplication in numbering, reads as follows:

There is hereby created in the State Treasury a Revolving Fund for the Insurance Commission. The revolving fund shall consist of civil penalties pursuant to this act for operational expenses to enforce the provisions of this act as approved by the Insurance Commission. Expenditures from said funds shall be made pursuant to the laws of the state and statutes relating to the Insurance Commission. This revolving fund shall be a continuing fund, not subject to fiscal year limitations, and shall be under the control and management of the Insurance Commission.

SECTION 13. This act shall become effective July 1, 2006.

SECTION 14. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

50-2-2109

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