

111TH CONGRESS
2^D SESSION

H. R. 6260

To amend the Real Estate Settlement Procedures Act of 1974 to prohibit certain transfer fees and covenants in connection with the sale of real property.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2010

Ms. WATERS (for herself, Mr. SHERMAN, Ms. MOORE of Wisconsin, Mr. CLAY, Mr. SIRES, and Mr. MILLER of North Carolina) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Real Estate Settlement Procedures Act of 1974 to prohibit certain transfer fees and covenants in connection with the sale of real property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Homeowner Equity
5 Protection Act of 2010”.

1 **SEC. 2. PROHIBITION ON TRANSFER FEES AND COV-**
2 **ENANTS.**

3 (a) PROHIBITION.—The Real Estate Settlement Pro-
4 cedures Act of 1974 is amended by inserting after section
5 12 (12 U.S.C. 2610) the following new section:

6 **“SEC. 13. PROHIBITION ON TRANSFER FEES AND COV-**
7 **ENANTS.**

8 “(a) TRANSFER FEE COVENANTS AFTER EFFECTIVE
9 DATE.—No person shall demand or accept a transfer fee
10 pursuant to a transfer fee covenant that is recorded in
11 any State if the transfer for which the transfer fee is im-
12 posed involves a federally related mortgage loan and such
13 transfer occurs after the effective date under section 3 of
14 the Homeowner Equity Protection Act of 2010. No person
15 shall enforce or seek to enforce any lien purporting to se-
16 cure the payment of a transfer fee pursuant to a transfer
17 fee covenant recorded in any State in connection with any
18 transfer involving a federally related mortgage loan if such
19 transfer occurs after such effective date.

20 “(b) COORDINATION WITH STATE LAW.—No provi-
21 sion of State law or regulation that imposes more strin-
22 gent limitations on transfer fees or transfer fee covenants
23 shall be construed as being inconsistent with this section.

24 “(c) DEFINITIONS.—For purposes of this section, the
25 following definitions shall apply:

1 “(1) COVERED ASSOCIATION.—The term ‘cov-
2 ered association’ means a nonprofit, mandatory
3 membership organization comprised of owners of
4 homes, condominiums, cooperatives, manufactured
5 homes, or any interest in real property, created pur-
6 suant to a declaration, covenant, or other applicable
7 law.

8 “(2) STATE.—The term ‘State’ means the
9 States of the United States, the District of Colum-
10 bia, the Commonwealth of Puerto Rico, and any
11 other territory or possession of the United States.

12 “(3) TRANSFER.—The term ‘transfer’ means,
13 with respect to real property, the sale, gift, grant,
14 conveyance, assignment, inheritance, or other trans-
15 fer of an interest in the real property.

16 “(4) TRANSFER FEE.—The term ‘transfer fee’
17 means a fee or charge imposed by a transfer fee cov-
18 enant, except that such term shall not include any
19 tax, assessment, fee, or charge imposed by a govern-
20 mental authority pursuant to applicable laws, regula-
21 tions, or ordinances.

22 “(5) TRANSFER FEE COVENANT.—

23 “(A) IN GENERAL.—The term ‘transfer fee
24 covenant’ means a provision in a document re-
25 lating to the transfer of specified residential

1 real property located in any State and designed
2 principally for the occupancy of from one to
3 four families, whether recorded or not and how-
4 ever denominated, that—

5 “(i) purports to run with the land or
6 bind current owners of, or successors in
7 title to such real property; and

8 “(ii) obligates a transferee or trans-
9 feror of all or part of the property to pay
10 a fee or charge to a third person upon
11 transfer of an interest in all or part of the
12 property, or in consideration for permitting
13 any such transfer.

14 “(B) EXCLUSIONS.—Such term shall not
15 include—

16 “(i) any provision of a purchase con-
17 tract, option, mortgage, security agree-
18 ment, real property listing agreement, or
19 other agreement that obligates one party
20 to the agreement to pay the other, as full
21 or partial consideration for the agreement
22 or for a waiver of rights under the agree-
23 ment, an amount determined by the agree-
24 ment, if such amount—

1 “(I) is payable on a one-time
2 basis only upon the next transfer of
3 an interest in the specified real prop-
4 erty and, once paid, shall not bind
5 successors in title to the property;

6 “(II) constitutes a loan assump-
7 tion or similar fee charged by a lender
8 holding a lien on the property; or

9 “(III) constitutes a fee or com-
10 mission paid to a licensed real estate
11 broker for brokerage services rendered
12 in connection with the transfer of the
13 property for which the fee or commis-
14 sion is paid;

15 “(ii) any provision in a deed, memo-
16 randum, or other document recorded for
17 the purpose of providing record notice of
18 an agreement described in clause (i);

19 “(iii) any provision of a document re-
20 quiring payment of a fee, charge, assess-
21 ment, dues, fine, contribution, or other
22 amount payable to a covered association
23 pursuant to a declaration or covenant or
24 law applicable to such covered association,
25 including fees or charges payable for estop-

1 pel letters or certificates issued by the cov-
2 ered association or its authorized agent; or

3 “(iv) any provision of a document re-
4 quiring payment of a fee or charge to an
5 organization described in paragraph (3) or
6 (4) of section 501(c) of the Internal Rev-
7 enue Code of 1986, to be used exclusively
8 to support cultural, educational, charitable,
9 recreational, environmental, conservation,
10 or other similar activities benefitting the
11 real property affected by the provision or
12 the community of which the property is a
13 part.

14 “(d) REMEDIES.—

15 “(1) PENALTIES.—Any person or persons who
16 violate this section shall be fined not more than
17 \$10,000 or imprisoned for not more than one year,
18 or both.

19 “(2) JOINT AND SEVERAL LIABILITY; TREBLE
20 DAMAGES.—Any person or persons who violate the
21 prohibitions or limitations of this section shall be
22 jointly and severally liable to the person or persons
23 charged for the transfer fee involved in the violation
24 in an amount equal to three times the amount of
25 any such transfer fee involved.

1 “(3) ACTIONS BY SECRETARY AND STATE OFFI-
2 CIALS.—The Secretary, the Attorney General of any
3 State, or the insurance commissioner of any State
4 may bring an action to enjoin violations of this sec-
5 tion.

6 “(4) COURT COSTS AND ATTORNEYS FEES.—In
7 any private action brought pursuant to this sub-
8 section, the court may award to the prevailing party
9 the court costs of the action together with reason-
10 able attorneys fees.”.

11 (b) JURISDICTION OF COURTS.—Section 16 of the
12 Real Estate Settlement Procedures Act of 1974 (12
13 U.S.C. 2614) is amended by striking “or 9” each place
14 such term appears and inserting “, 9, or 13”.

15 **SEC. 3. EFFECTIVE DATE.**

16 The amendment made by section 2 shall take effect
17 upon the expiration of the 90-day period beginning on the
18 date of the enactment of this Act.

○