

July 22, 1996

Jeffrey Eugene Thompson, Esq.  
Thompson Law Office  
2258 Marion Road SE  
Rochester, MN 55904

Re: State consumer law on selecting a title company (Your June 21, 1996, Letter)

Dear Mr. Thompson:

You have written us and Region V Director John S. Ruffin concerning a federal credit union's (FCU) alleged violation of a state law which prohibits financial institutions from requiring a person to use "any particular licensed attorney, real estate broker, real estate salesperson, or real estate closing agent in connection with a residential closing." Minn. Stat. 507.45, Subd.4. You state that several of the FCU's members have told you and other attorneys that they have been steered to a specific title company. As explained below, this office in conjunction with an investigation performed by Region V has determined, to our satisfaction, that the FCU is not violating the statute.

Region V examiners responsible for the FCU's supervision investigated the matter. Interviews were conducted with the president and lending personnel. The credit union's written policy requires use of a title company for real estate closings; it does not name or require use of any particular title company. Based on your letter, it is not apparent that you provided the region with affidavits or names of complaining credit union members. Our investigation found no evidence of steering. Although the FCU does not appear to be in violation of the statute, the FCU has agreed to undertake an internal review of its practices to assure that they are in compliance with all applicable laws and regulations. If you have additional evidence, we recommend that you provide it to your state authority responsible for enforcing this law.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/JWL/MFR/RSS;jl  
SSIC 3000  
96-0705  
cc: Jon Lander, Region V