From: Geneva Financial, LLC., Aaron VanTrojen

Subject: Reg Z - Truth in Lending

Comments:

Although I again fear that my comments will fall on deaf ears, I must at least be able to say that I tried to prevent yet another disastrous Government regulation, created by intelligent people with good intentions, from going into effect.

The mortgage and housing crisis was the end result of government deregulation, which allowed "Big Banks" and Wall Street to create products which they taught mortgage brokers / bankers to sell, to the average consumer, who was told they could get rich in real estate. You can point a finger in any direction and place blame on a politician, a CEO, an appraiser, a real estate agent, or a loan officer. Despite what the media will lead you to believe, there are good politicians, and there are even good loan officers, that work not for the "Big Banks," but small mortgage companies across this Country.

In 2009 the Government has passed a series of laws of which most have had a negative effect of the very consumers they intended to help. The Home Valuation Code of Conduct (HVCC) that intended to add separation between mortgage companies and appraisers, now mandates that the appraisals are ordered through Appraisal Management Companies (AMC) that the lender in most cases owns. The appraisals cost the consumer nearly twice as much as they did prior to the HVCC, and are often completed by inexperienced appraisers. The appraisals are not easily transferred from lender to lender again increasing costs to the consumer in time and money. FHA is now implementing a similar system creating further hardship for everyone involved in the transaction; most importantly the homebuyer.

The Mortgage Disclosure Improvement Act (MDIA) intended to give the consumer more time to review a document that is difficult for even mortgage professionals to understand. The Truth in Lending document which discloses APR has never effectively helped protect the consumer when purchasing a mortgage, because they do not understand it. The additional time requirements mandated by the MDIA has not helped educate the consumer by allowing them to spend additional time to understand a document which they have never understood; it simply has added additional time to an already slow and painful process. The problem is with the document, not the consumer.

The HUD rule in regards to RESPA which goes into effect January 1st 2010 eliminates a mortgage company's ability to be compensated by yield spread premiums. The intention was to prohibit mortgage companies from "steering" the consumer into high cost mortgages which paid the highest yield spreads. Those high cost mortgages were often subprime or exotic adjustable rate mortgages, which do not exist any more. Now the yield spread premium can be credited back to the customers closing costs; which HUD now allows us to increase from the previous 1% cap. The new four page Good Faith Estimate fails to even disclose the total monthly payment, and the cash needed to close; two of the most important disclosures.

The FED proposal takes the insanity a step further. Eliminate yield spread premiums entirely. If implemented, the homeowner or homebuyer will have one choice of rate and cost of rate. Even under the HUD rule the consumer has a choice of a higher rate and lower fees, or a lower rate with higher fees. This is a very important option for the consumer based on their intent for the long term use of that particular property. The FED proposal also gives an unfair advantage to the "Big Banks." It will in effect eliminate the smaller mortgage companies, once again limited consumer choice. I am still in business for three very important reasons. First and foremost I have run my business with integrity and honesty. Secondly, I am far more competitive than most "Big Banks." It is a rare occasion that a "Big Bank" will be able to beat me on rate and fees.

To date the Government has done a bang up job on trying to protect the consumer. Regulation thus far has created additional costs to the consumer. Time delays. Additional disclosures that offer less transparency. The FED proposal will limit consumer choice. Allow the Big Banks to monopolize mortgage lending, and likely put 150,000 mortgage brokers/bankers out of business and leave hundreds of thousands of loan officers unemployed. The FED is on the verge of destroying an industry that provides a very good service to the homeowner / homebuyer. It is apparent that those making the rules do not understand what we do, and the benefits we provide. Maybe spend some time with those of us in the industry and the people we serve. Governing at 30,000 feet can have unfortunate consequences, as already proven this year with the HVCC, MDIA, and HUD rule.

Sincerely,

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