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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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December 21st, 2009 The Federal Reserve Regulation Z-Truth in Lending Closed End Mortgages (R-1366) Comments Thank you for allowing the opportunity for comments in regards to (R-1366). I started my career in mortgage lending in 1996 as a mortgage broker who originated and brokered A paper Conventional only loans. Since that period of time I was a successful mortgage broker with an impeccable record of both loan performance and loan quality. I sold my company to further my professional journey and went into the business of Mortgage Banking. I have been able to be a part of a Wholesale Lender who provides an outlet to those smaller less capitalized companies compete in a monopolistic banking platform. While my period as mortgage broker my most difficult struggle as a small business was to compete against the large financial institutions that lead people to believe that their loans were not the same as a mortgage broker when in fact the majority of all residential real estate loans are through securitized through GSE's. GNMA, FNMA and FHLMC backed loans represent the majority of residential real estate loans today regardless of the originating source. While many tend to blame the mortgage broker for the Great Mortgage Meltdown this is far from the truth. The temptation to engage in subprime and ALT-A lending was almost unbearable and caused many to go after the carrot including FNMA. Brokers were forced into doing a high percentage of ALT A and subprime because of the ease of the process of obtaining a mortgage. They were only finding products for customers that were being created upstream. The concern for the consumer is great and I agree with many areas that help keep a watchful eye out for the consumer however many items being brought to the table today are extreme and will not eliminate the concern for getting back into these times. The sole concern should be on the products being offered and how they are being offered. I was out shopping for a bike for my children for Christmas and found the same bike at 3 different locations varying in price by as much as 40%. Is the person who purchased the bike for

40% higher needs being met and were they ok with paying that amount? The answer is yes. The consumer should still have a chance to shop and the businesses compete against one another. Were the retailers costs for the product different? Probably not. Were their indirect costs different? Probably so. I don't ask my local grocer how much they are making on box of cereal versus how much another grocer is making. The same holds true for Insurance costs, and durable good or service so why focus on a commodity such as a mortgage backed security. If a wholesaler wishes to share some of the value of a security with the originator then fine. Large banks do so but a week to a month later. It is basically shell game that the monopolistic bankers are playing. Obtaining a mortgage that is backed by FNMA, FHLMC or GNMA is not different as they all carry a value and someone is going to make it somewhere down the line whether it is a Banker or a Broker. It is my opinion that a Brokers compensation stimulates the economy much greater than going to a large banking institutions bottom line. My greatest sense of pride since being in this business was back when I was actually helping counsel so many people in how to save, plan and obtain a mortgage. The time I spent with many of those who did not qualify or were able to obtain a mortgage at that time were actually being subsidized by those who did obtain a mortgage through my services. Without YSP or SRP my ability to compete with the larger institutions would be erased thus driving competition out the door. There are many ways a mortgage can be worked and each person is unique in their needs which is why YSP/SRP is so important. Just as with any industry you have your bad apples. There are bad brokers, bad bankers and bad borrowers. The way to help in this is not by tightening rules that make it harder for the good to originate but to put them all under one regulatory body and require national/state licensing like an insurance agent and if you do something bad enough you would lose your ability to write any more business. I appreciate the opportunity that I have been given to address this subject. Thank you for your time. Brett W. Arsta Franklin American Mortgage Company