Date:	Jan 03, 2008

Proposal:	Regulation Z - Truth in Lending
Document ID:	R-1305
Document Version:	1
Release Date:	12/18/2007
Name:	James Martin, CMC, CRMS
Affiliation:	PAMB
Category of Affiliation:	Other
Address:	1910 Cochran Rd. Suite 545 Manor Oak II
City:	Pittsburgh
State:	PA
Country:	UNITED STATES
Zip:	15220
PostalCode:	

Comments:

Dear Mr. Chairman, I thank you for your propsal to bring attention and reform to the mortgage lending industry. I have been active in the mortgage lending area for the last 20 years. It has been my aim to ensure that the consumers understand their biggest purchase of their life. The propsed rule to amend Reg Z has several strong aspects which should help the consumer, additionally, there are several proposals that if implemented would harm the consumer as well. Prepayment penalties should not extend beyond the term of the fixed payment term. Additionally, the consumer should always be given an opportunity to compare loans with prepayment penalties versus the costs of a loan without a prepayment penalty. Used correctly, consumers can benefit with an option that allows them to match their anticipated time on the loan with a prepayment penalty. Escrow accounts for taxes and insurance also provides an area that needs proper attention. I agree that not all consumers should be granted an "escrow waiver". First time homebuyers, those without documented reserves should not be given an escrow waiver until they build up their financial base. However, those who have demonstrated financial discipline and have the financial where-with-all to make their tax and insurance payments should be given the flexibility and the opportunity to maximize their returns without having to wait a year and apply for an opt out. Use Reg Z to provide guidance, not prohibition. Also, in terms of lender's servicing practices, lenders should be required to post the payments promptly as well as the payoff statement. Frequently, consumers must pay the price in higher rates and fees when these simple actions are not taken. In areas where this proposal will hurt the consumers, I have a few concerns. In the proposal, all consumers would have to document their income and assets to obtain a loan. Again, use Reg Z to provide guidance on this issue, and not prohibitions. There are indeed many cases where a consumer bought a home that they knew they could not afford, but banked on the increase in home value to cover them if their incomes did not climb as anticipated, or if the rents did not come in on investment homes. There are a number of consumers who have legitimate reasons why the income they make cannot be used for qualifying purposes, but would be available to help make their payments. Underwriting requires that income be documented in specific manner that does not always conform to how it is earned. Individuals who work second jobs, overtime, or have a individual who will assist with payments are examples of income that may not conform to underwriting requirements but whose income can be used to offset the payment. In addition, many self employed individuals cannot document the full amount of their income. Rather than exclude or lower the mortgage ability of these individuals, provide guidance as to the use of low documentation loans to those situations that make the most sense. Granted, these situations would only be impacted on "high priced mortgages", but as it is defined, a high priced loan today is any loan over 7.45% (30 yr bond at 3.45% +3) which would include a lot of jumbo, second, and investment loans. The biggest area of concern for the consumer is the yield spread premuim ("YSP"). In order to offer the consumer the widest array of opportunities and to provide them with the most accurate information, the proposed rule should be ammended. As stated in the rule, the focus on just YSP would put one dimension of the mortgage origination process at a disadvantage to another. YSPs are only paid to mortgage brokers who originate approximately 65%-68% of the loans. The remaining business is originated by banks, mortgage bankers, credit unions and the like. They are paid through Service Release Preimum or through the yield on the loans they hold. Either way, everyone who originates a loan does so for a profit. If YSP in excess of that which is previously disclosed is eliminated, only a portion of the origination market will be effected. Those not paid through a YSP would not have to disclose and the consumer would not be entitled to the same protections and would not get as accurate a picture when going to closing. As an example, a consumer is quoted rates and fees based on their description of their credit to a bank and a mortgage broker. Then, through the application process, both discover that the consumer's credit is not as was disclosed initially. The mortgage broker would have to re-negotiate their fee and re-disclose to the consumer while the bank would not. However, at closing, the bank would have to disclose the higher fees and rates. The consumer thinking they got a better deal with the bank is now at the table paying higher fees and rates and not given a proper opportunity to compare with the broker. I applaud your efforts and wish you Solomonic wisdom in crafting a proposed rule that truly can correct the issues in the mortgage lending arena. I would offer a few suggestions that should assist all consumers: 1. Mandate all who originate loans pass a competency test for a license. 2. License all who originate loans. In order to get a license, all applicants must not have any convictions in the context in which they will be working. 3. Educate the consumers early and often. There should be a financial literacy requirement before graduating high school. Give the consumer the tools to properly compare offers and maintain their credit. 4. Allow free exchange of information. If there are bad actors in the market, allow the consumer the opportunity to contact their regulators to find out who they are. 5. Enforce, Enforce and Enforce again the regs and laws already on the books before writing any new ones. The tools are there to weed out those who look to make a quick profit and are not vested into the best interests of the consumer. Good Luck and thank you for your time.