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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Do away with yield spread? I have been a loan originator for years. I have always operated my business in an ethical manner. In fact, my ethical dealings have earned me premium services from lenders and my clients come from my own personal network that I have worked for years to build. They keep referring people to me and personally coming back to me because of how I operate. My Dad was a Lt. Colonel in the Marine Corps and he once asked me what it was like to build a business with honesty and integrity while working in a world that seems so corrupt. I told him that it is a slow process but I seem to be winning in the long run. For years, I have consistently beat the "banks" who offer retail loans. In fact, I have a friend who once worked with Chase Bank and he and I would compare rates. He would use the retail rates available to him and I would use the Chase Bank wholesale rates available to me. I would beat him every time. He eventually came to work with me so he could offer his clients the same service with better rates (not to mention he could make more money). I have never taken advantage of how loan officers can get paid through yield spread because competition has always forced me to offer a fair price. Typically when I have tried to slightly increase the rate so that I could get a little more yield spread ... I lost the loan to my competition. Eliminating yield spread for brokers is simply not a proper answer. It will ultimately cost the consumer. Competition has helped this country thrive for years and I fear for my children's future whenever the marketplace is interrupted by government regulation. Case in Point: The new HVCC guidelines for appraisals just recently enacted is costing my customers and extra \$110 per appraisal. I have not yet lost a loan due to an appraisal not being delivered in a timely basis but I suspect I will shortly. Most of my loans lately have been refinance loans. As the purchase market continues to pick up steam, I have no doubt that some of my clients will pay the price (either in real dollars or interest rate) because of a lost loan lock. In addition to the aforementioned reasons to discontinue this path towards eliminating yield spread, there is another reason to find another way to protect consumers. Many brokers are beginning to leave the market. It seems that we are on a path to becoming an industry where only banks serve consumers. I cannot count the number of times that I have provided far superior service to a client than they ever could have received from a bank. Brokers

leaving the industry simply decreases the competition. And while I'm all in favor of a little less competition, I think ultimately, the consumer will be the real loser. I'm an educated, self made man. I worked my way through college and graduate school. I started my own business with my own money and am a provider for my family. I am simply a microcosm of the millions out there in similar circumstances. I urge you to please do a little more research before making these changes. Many of the proposed and enacted changes seem to be knee jerk reactions at best or simply a bandaid to cover up the problems that really exist. If a complete overhaul of the industry needs to take place ... so be it. I'm all in favor of doing whatever is best for the consumer. But someone is going to have to do the legwork to process all these loans and I believe mortgage brokers have received undue punishment in the public eye. I have never done a loan that the lender (a bank) did not underwrite and have full access to ALL of a borrower's information prior to approving a loan. I do not approve loans and never have. I simply help a borrower find the best rate and reasonable closing costs. I package up the appropriate applications and paperwork and deliver this package to a bank. The bank makes the decision on whether or not to approve the loan. I contend that many of the problems we are now facing did not originate with mortgage brokers. Since entering this business I have followed the Golden Rule (he who has the gold makes the rules). The banks have always made the rules and I have had to follow them to get loans approved for my clients. I honestly think the banks got greedy, allowed loans to go through with deplorable debt to income ratios, approved 100% stated income loans, and offered credit to people with FICO scores in the low 500s (some even lower). The guidelines are much stiffer now and I believe they should be. Not everyone should own a house and have a mortgage. Some people simply do not make enough money or they are not responsible enough (as evidenced by credit scores and debt to income ratios) to buy a house. Buying a house is a privilege ... not a right. When our government starts offering opportunities to those who don't deserve them, we are simply asking for trouble. You probably get comments such as mine all the time. People simply whining about what's going on instead of trying to help fix it. I will go one step further and offer a couple of suggestions: 1) Banks should make every effort to surmise if someone qualifies for a loan. They do this through making sure that a borrower makes enough money, doesn't have too many debts, and has a proven record (credit report) of taking care of their financial responsibilities. 2) I think that the forms offered to consumers provide plentiful information so that someone could figure out what type of loan they are getting into and the costs associated with that loan. The answer is not more regulation, the answer is education. The government can't keep making up people's minds for them or they will never learn and we will continue on a downward spiral towards stupidity. 3) Simplify the loan documentation. Consumers are completely overwhelmed with the amount of paperwork involved in a loan (especially at closing). No normal or reasonable person ever reads any of the information they receive at closing. It's simply too much information. It is beginning to feel somewhat like the IRS code (also which no one understands). I recently read a book by Eliyahu Goldratt called "The Goal". The basic concept of the book was to take a step back and ascertain the true purpose of an organization. Then make changes to achieve that purpose. I believe we are all too deep into this mortgage world and the purpose of lending has lost its focus. We need to take a step back, stop applying band-aids that make it appear that steps are being taken to rectify the situation, and look for real solutions that will help banks make good decisions, help consumers get a fair shot at shopping for a good solution, and keep competition thriving in banking and small business communities around the U.S..