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Subject: Reg Z - Truth in Lending

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Comments:

Date: Aug 20, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
Document ID: R-1366  
Document Version: 1  
Release Date: 07/23/2009  
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I am a mortgage broker has actively worked with clients for the last 17 years. I own my own small business in a small town and my personal philosophy has always been to make sure my clients understood their choices, could make the payments and received fair rates, fees and terms. My reputation throughout the county is for being honest and fair and in 17 years, I only have originated 2 loans that resulted in foreclosure. That means I KNOW WHAT I'M TALKING ABOUT AND I REALLY HOPE SOMEONE READS THIS AND LISTENS. I work directly with consumers - I'm not some upper level manager who gets the information from others. I found the ICF Report assessments of the problems to be extremely accurate. I have always found the TIL/REG Z/GFE forms to be extremely confusing to consumers and on the vast majority of my loans, explain them narrative style to make sure the client gets it. Here are some things that I beg you to address when you are considering the revisions - otherwise you will not correct the problem, just compound it: 1. There are far too many disclosures. The federal and state required disclosures now consume over 30 sheets of paper, versus 3 when I started in the business. You must SUNSET all other forms when you create new ones. A consumer can understand and remember the info on up to about 5 sheets of paper, not 30. 2. Eliminate redundancy: for example, the implementation of HVCC created new disclosures, but did not sunset the old appraisal disclosure so now consumers sign 4 different sheets of paper regarding their appraisal at 4 different times, including the MDIA limitations on collecting the appraisal fees. All this information could be clearly and concisely placed on one nice neat form that is easy to understand. 3. Understand that statutory waiting period time frames hurt consumers. Consumers who now angrily have to wait 3 days due to MDIA are not spending that time reading their HUD booklet, they are trying to explain to the seller of the property why they will not be able to close escrow in 30 days and the seller is threatening to cancel and sell to someone else. The consumer should be ready to advance to the next step when the consumer decides they understand and are ready to close. 4. READ THE EXISTING TRUTH IN LENDING ACT CAREFULLY BEFORE YOU PROCEED. It is full of confusion and conflicts. For example, Section 106 determination of finance charge (a) is pretty clear: if the lender requires it and its not something a cash buyer would have to pay, then it affects the

finance charge. That makes sense. 103 (a)(1) says a credit report DOES affect the finance charge (which makes sense, the lender requires it, not the buyer or seller) but the (e)(6) says the credit report should NOT be included. (e)(2) says that a fee for prep of loan related documents shall not be included in finance charge, but why not, a cash buyer would not pay that fee so it should affect the APR. (d)(2) says title insurance does not affect the APR and the Owner's Policy of Title Insurance should not, but the LENDERS Policy of title insurance should affect the APR because the only reason the buyer has to pay for that is because he is getting a loan. Even Lenders and Settlement Agents don't agree on what should affect the APR. Put the law in the form of a list with two columns and list every possible fee, then you will get better compliance. Most loan officers are not like me and do not go the code and read it themselves, you have to make it easy for them to follow, but I do believe that most truly do want happy clients and the only way to achieve that is to make sure they are getting the best loan that is right for them at a fair price. 7. Do not eliminate the Yield Spread Premium. Or demand that lenders pay the same regardless of rate, because then lenders will increase all rates across the board. When I do a zero points loan, I generally get a YSP that is around 1 to 1.25% of the loan amount. To me, that is fair and reasonable for the work involved, although it is far less than many brokers charge, many of my competitors make 2 to 4%, which I think is highway robbery. But if you make it illegal to get more, then you will eliminate the option that I have given many clients in the past. If I raise their rate by 1/2% to get a 3% YSP from the lender, I will still make 1% but then I will credit the difference to their remaining closing costs. For many buyers (especially first timers with limited cash) they can easily make a monthly payment that is 50/m higher, but it may not be so easy to come up with an extra 2 or 3 thousand to close. If you stipulate that everyone has to make the same, then you eliminate my right to charge less if I want so that my client can get a better rate. I generally charge my clients with bad credit LESS than normal, because I figure that they need a break, they have obviously been through rough times. However most of the industry does the opposite. Plus eliminating the YSP will only eliminate broker gouging, not bank and direct lender gouging. Most of my clients who shop around report back to me that the highest rates are always from the big direct lenders and banks, like Wells Fargo, Bank of America, Suntrust, Citimortgage. 8. There BEST way to cut down on lenders and brokers gouging consumers is to make it easy for them to shop around. The ICF Report also indicates that consumers don't shop enough, primarily because most lenders insist on getting a completed application before they will quote a rate. I ENCOURAGE all my clients to shop me before they apply and I tell them this: Ask all lenders for a rate quote based upon their 30 year fixed rate today for a 30 day lock. Tell the lender to assume their FICO score is XX and to assume that their income is sufficient to cover the payment. Then ask the lender to itemize the loan fees and points. If a lender refuses to quote you based on assumptions, or insists they need an application and a credit report, move on because they aren't being truthful or they are stupid. 100% of my clients report that this is an effective script. 9. In order for consumers to shop effectively, they MUST have free easy access to their own credit scores so they know what they should be getting. The current credit reporting and scoring system is a rip off and not consumer friendly at all. My experience indicates that approximately 25% of the data reported by the three agencies (TU/EXP/EFX) is false or flawed. Furthermore, I have had clients who were told by other lenders that they had poor credit scores so had to pay a higher rate, when in reality, their scores were excellent. Luckily, they had been referred to me so I told them the truth. If all consumers could see their own scores though for free, then they would be armed with the information. 10. Sadly, you can not legislate morality - I wish you could. However, the good

originators have always been good and the bad ones, bad for the most part. Both Fannie Mae and Freddie Mac have to approve each originator to use their automated system. It is a shame that loans are not tracked for the life of the loan with the TPO (Third Party Originator) number because if you did that, then you could deny the license of any originator with greater than a 3 or 4% default ratio. That would solve the problem quickly and easily. I could go on and on. The biggest flaw I see in the actions of government is the un-intended consequences. Both HVCC and MDIA have caused far more damage than they have fixed - those of us in the trenches who care about our clients and communities all know that. You will develop a far better plan if you interview people on the ground like me; with proven track records of making sound, good loans. This mess was caused by stated income availability (I have ALWAYS verified income, even when Fannie & Freddie didn't want to see it, I did it anyway) because that drove prices up beyond the affordable point. Neg Am loans should be illegal. They were originally intended to be for sophisticated, self employed investors who had a guaranteed huge lump sum of money coming in the future (like a subdivision developer who has all his money tied up until he can sell all the lots) and quite frankly, 99% of people out there should only have fixed rate fully amortized loans. One more suggestion to your dilemma about the confusion over what to call impounds or escrows for the property taxes and homeowners insurance. I suggest calling it "Property Taxes and Homeowners Insurance Collected by Lender" I have defined "Impounds" that way always and all my clients understand it perfectly. In fact, as a community service, I put together a little credit and mortgage mini class that I have volunteered to do at local high schools for high school seniors and they get it too. Get rid of the lawyers and keep it simple - only then will you create a consumer helpful product.