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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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The fact is, brokers and banks have had an unlevel playing field for years. As a broker, we are required to disclose multiple times to the borrower, in many different formats, that we receive YSP for doing their loan. Banks have not been required to disclose it, even though they earn the same thing, in the same way - it's just called SRP or "servicing released premium: Here are how we have to disclose this information: On the current GFE as "YSP 0-5% POC by lender to broker if applicable". On the new GFE going into effect on 1/1/10 it is included in our origination fee, and then backed out as a credit, which is MASSIVELY confusing to look at, even to me. On the Mortgage Loan Origination Agreement. On the Brokerage Business Contract On the HUD-1 Settlement Statement On the Attorney Closing Instructions that borrowers normally have to acknowledge. On the Reg Z disclosures that the lenders send to the borrower after application. I think the consumer gets it! The fact is, they don't care. You tell a consumer "we get paid by the banks to place your loans with them; there are many lenders that compete over my business as a broker, and so they pay us in some cases to put your loan with them". They simply don't care. I have been in this business for 15 years. Not one client has had a problem with this, and I tell them upfront in every case that it happens. America is a capitalist society. It is based on people providing goods & services to consumers and businesses that the buyer values, and they pay for it. This proposed rulemaking, at its core, is an attack on capitalism. If you go to Kroger and buy a can of corn, the grocery store probably paid \$.25 for it wholesale, but they sell it to you for \$1. Why do they mark it up? Because they have a big, fancy store with overhead and employees to pay. If we do a loan for someone, we buy the money at wholesale at the "par" rate, and we sell it to our clients at retail, thereby earning YSP. This keeps us from having to charge the borrower more money upfront which they typically cannot afford. Everybody wins, we make a fair amount for our efforts, and the borrower is happy with the deal they got, ostensibly (and if not, it's their

responsibility to go somewhere else that will make them happy, that's their right as a consumer). But we have the same overhead, offices, professional liability insurance, FHA renewal audits, licensing fees, bond fees, in California, we have to W2 every employee so we can't save the FICA and etc, and the list goes on. The argument is made that "a mortgage is the biggest financial product that a consumer will ever purchase" so it's wrong for the loan originator to make money on doing the loan. This argument is illogical and flawed. If you go to Kroger, and you can't afford the can of corn at retail, you don't eat. But food is obviously a requirement for life. So why would it be any different in the mortgage industry? Owning a home, or having the lowest imaginable rate on a mortgage is not a right. It is a privilege that a consumer can earn through proper & wise financial management. The professionals that help this happen for a consumer are providing a much-needed service for the consumer by guiding them through the mortgage process - especially now, and more than ever before. It seems that the proposed rules are geared towards not steering a borrower to a "risky" loan product. The fact is, though, there are no "risky" loan products now. Everything is done via the agencies. There are no negative-amortization or subprime loans in the marketplace, and there have not been any for about 3 years now. The only options available to the average consumer are Conventional, FHA, VA, rural housing, and at a low loan-to-value a highly qualified borrower might be able to obtain a home equity line of credit. As usual, the government is years behind the curve on this - the MARKET corrected the excesses of the past by ceasing to offer those products. Why shoot and kill the horse when it's out of the barn already? This proposed rule makes absolutely no sense at all.