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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 Fed proposal will complicate the process for the consumer. The broker will be encouraged to have different compensation agreements with a lot of different lenders. The broker could easily have different flat fees with each of the end loan providers, therefore be incented to steer consumers to the lender with the higher fee for the broker. This could actually cause the interest rate to be increased to the consumer to cover the higher fee costs paid to the broker. One major concern for the broker will be the potential for law suits by lawyers looking to make a buck. The broker could find itself in a situation where one lender can provide a loan to the consumer quicker, therefore making sure the consumer completes the purchase of their home, but at a higher fee to the broker. The alternative lender may provide the same loan to the consumer at a lower fee, but take longer to close and jeopardize the closing for the consumer. The Fed rule would encourage the broker to take the smaller fee and the longer time to close for the consumer and may jeopardize the closing or if the broker takes the higher fee with the quicker closing, could then open up the broker to criticism from an attorney who would state the broker took advantage of the consumer for a higer fee. A big mess. This type of scenario will most likely increase costs to the lenders and in turn may curtail the number of relationships lenders have with brokers therefore restricting options for the consumers. At best, the lenders will most likely find it necessary to increase costs to be able to do business with brokers. A better way of informing the consumer is to simply clarify on the disclosure to the consumer what the compensation being paid to the broker is including both points, fees and yield spread. Regulation X disclosure could do this by making it apply to the yield spread premiums. The consumer would have clear information by not allowing the YSP to be offset to any other charges and/or costs. Make it clear. The point is that we all know that most of the problems come from a few unscrupulous brokers and the large majority of brokers are doing the right thing. If the Fed proposal is implemented as presented it

will simply force many good qualified brokers out of the business as their compensation will be greatly reduced and the costs (potential legal/liability) will significantly increase and again effect their profitability. Much like HVCC has had a tremendous negative effect on the appraisal industry by significantly reducing the compensation for appraisers this proposal regarding broker compensation will have the same effect. The HVCC has caused many qualified appraisers to get out of the business because half of their compensation has been taken by the appraisal management companies and now we have less experienced and unqualified appraisers performing appraisals that are poorly done. This proposal to restrict mortgage broker compensation will reduce
the number of qualified brokers and therefore reduce the options for consumers. When the reduction in mortgage loan originators happens, the few lenders who remain will have more of a monopoly on the business and ultimately the interest rates will go up to the consumer. Just the opposite effect the Fed is trying to accomplish.