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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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Comments:

I have been a mortgage broker for over 23 years. During that time, I always considered myself fair and looked out for the well being of my clients. Unfortunately, in my industry, this is not always the case. I understand the need to regulate the industry to prevent the misuse of the yield spread premium (YSP) but I strongly disagree that the YSP system that is in place is a threat to the consumer. If used properly the YSP is a benefit to the consumer. Case in point: If the broker increases the rate and receives an increased fee in return, the broker can use these funds to pay all or a portion of the borrower's closing costs. I use this frequently in a declining market to give the borrower an opportunity to refinance without paying closing costs multiple times in a short period of time (usually within 18 months of a previous refinance). This allows the borrower a chance to do a new transaction before they have realized the benefit of the previous one (payment savings paying for the previous costs). I believe that the new system as proposed will limit the consumers ability to obtain a cost effective mortgage (forcing them to pay loan discount or origination fees) and limit their choices to obtain financing. Regulation X has been revised forcing third party originator's (broker) fees to be more openly disclosed. This is a very good step in the right direction. I believe it would be wise to allow this system to be implemented and reviewed before wholesale changes are made in the way my industry functions. If, after review, new regulation is deemed necessary, a better approach would be to limit third party originator's (broker) fees from the funding lender. Most lenders presently limit fees to 3.5% of the loan amount. This may or may not be deemed excessive by the board but someone can set the limit. Another approach is that mortgage originators need to be better licensed. Every time there is a significant drop in interest rates many new mortgage originators flood the market. These are largely unskilled financial professionals that are looking to make a quick dollar. The single largest financial decision most consumers make is to purchase a home or refinance their existing home loan. Why should

this transaction be directed by an individual that has little or no knowledge of financial planning? This is true on the broker as well as the retail banking level. Licensing and education requirements need to be stricter to prohibit easy entry into our industry. I believe the new system, as proposed, adds to the costs that a consumer will have to pay and will limit their choices. Consumers need to be better educated to know what is available to them at what cost. Simply put, they need to shop around to determine their options. I know that the consumer has been taken advantage by loan originators over the past 20+ years I have been in the business. I don't like to be associated with loan originators that are unprofessional, uneducated and are not qualified to advise a consumer as to what the best loan product and pricing is for them. This legislation doesn't do anything to address the root of the problem. Sincerely, Norman Valmassoi First Priority