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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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Hmmm. "Truth in Lending", the title says it all. I've read the proposal end to end and feel it is quite misguided. By design, our market system is self-correcting. However, I am not suggesting nothing be done. Ultimately, it is the consumers' responsibility to seek the best price and terms for a product/service they are purchasing. The single largest problem with that in the mortgage market is the consumers' inability to compare the "value" of a mortgage to them, the consumer. Take special note my emphasis on the "Value of the mortgage to them, the consumer". Ultimately the profit the broker or bank makes is irrelevant to the "Value of the mortgage to them, the consumer". Requiring the broker to disclose the wholesale pricing on a mortgage is like making Walmart tell it's buyers what they pay for their products. Ultimately, the customers shouldn't care. The only thing relevant to the customer is what their cost is and can they get it cheaper, or better service for the same price elsewhere. So then, where does the current system fail the consumer? Product comparison. It is nearly impossible for a consumer to compare 2 brokers, or a broker versus a bank. This is virtually impossible because all the various fees being charged to obtain financing. I believe the best solution should be requiring every lender to quote only 1 fee to the consumer and call it a bundled lender fee. Eliminate the various fees (ie appraisal, credit, underwriting, processing, flood cert, admin, broker fee). Ultimately all those items are simply lender fee to obtain the financing on the behalf of the borrower regardless of bank or broker. Additionally, all title, escrow fees should be quoted up front in a bundled and fixed manner as well. These bundled services would need to include the variable cost of recordings, copy fees notary, etc. If the title/escrow companies are held to this standard they will adjust their fees to accommodate the variable costs into their schedules. Lenders will learn to adjust for the variable fees too. So on an estimate, ultimately there would be only 5 items on a good faith estimate;

interest rate, lender fee, escrow/closing fee, title fee and recurring costs (prorata interest, impound account set-up etc) Using this method would make the estimates easily comparable between all lenders, banks and brokers alike. Most importantly, this concept allows the market to do its job empowering the consumer with comparable information they can use to be consumers and shop for the best "value to them, the consumer". Ultimately any regulation passed needs to be focused on helping the consumer compare products and service, not restricting the options and resources of the market providers. The most frustrating part from a brokers perspective is, banks are providing exactly the same function as a broker. They are going to a secondary source of capital to provide financing for their consumer. Their profit is made in the transfer of the financing/consumer to this secondary source of capital which creates profit. The system works identically for them, the higher the rate is on the financing/consumer when their loan is delivered to this secondary source of capital, the higher their profits. Notice this process is identical to that of a broker. Broker is delivering financing/consumer to a secondary(wholesale) source for profit. You must find a way to empower the consumer, not restrict the market for either bankers or brokers. Make the lending process more uniform and legible. Here's a secret you may not know, the more disclosures you require in a loan package, the less consumers read...Simplify! There should be an ARM disclosure only required if the loan is adjustable or balloon, but definitely not included in every disclosure set(Less paper, consumers read more). Locks/rate commitments also need to be addressed. Somewhere there needs to be specific mention if the rate being quoted is locked for the consumer, for what period of time and what the terms of breakage/extension are. I really hope you take the time to consider how unfairly the suggested legislation impacts brokers and leaves a license for banks to continue to commit the act in which are forbidden by broker and more importantly how irrelevant bank/broker profit is to the consumer if they are allowed to properly compare products/services available to them in the marketplace. High priced products/services will not be competitive and forced out of the marketplace. Good Luck, you have your work cut out for you!