From: 1st Guaranty Mortgage, Joseph D. Sullivan

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Joseph D Sullivan
Affiliation: 1st Guaranty Mortgage
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I understand the good intentions that are meant by this legislation, however the proposed legislation, R-1366, will prevent competition in the market and will prevent many homebuyers from purchasing their homes. The higher interest rates and lender compensation are not intended to line the pockets of loan officers or lenders. There are advantages to the current practice that can benefit borrowers greatly. Conventional lenders have similar rate sheets based on market pricing. If a consumer is shopping for a loan, they may be able to access lower closing costs through a higher rate. The trade off is that they can use money that would normally be used for closing costs for furniture, moving expenses, etc. and they will pay a higher interest rate as a result. This can also serve as an advantage to people who only plan to live in their home for a short period of time as well. The higher rate can actually cost them less for the short term than the upfront fees. If a lender wants to charge upfront fees and a high rate, they will most likely not be in business for very long. Because, in this day and age, information is so accessible, I seldom run across a borrower that has not already shopped a loan with 5 other lenders. The competition comes in to play when a lender can offer a rate and closing cost combination that is lower than his/her competitor. Eliminating lender compensation takes "lender paid closing costs" or "financing closing costs" off the table. This will directly prevent buyers that would otherwise be able to purchase from doing so, but can only afford to make the down payment and finance the rest. This legislature limits buyers' options and closes the door further on competition in the market. There is already legislation that prevents lender from charging high costs to borrowers. This is covered by HOEPA/Section 32 Mortgages.