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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 new proposed amendment to regulation Z will not help the consumer but will hurt the broker and the lenders. With a fixed or flat fee agreement per lender per broker, the consumer loses out from a lack of a competitive market. The YSP now allows a broker to compete with other brokers by making less on a loan, if they so choose, to obtain a consumer who has been offered a better rate elsewhere. This allows the consumer to shop for a better rate and to negotiate with brokers. If the new proposal is put into place the broker will not have an option to negotiate. They will be locked into giving a rate and the broker down the street will also be lock into giving a rate. This will eventually drive brokers out of business whether they are good broker or bad brokers. It will come down to who has made the best deal with the lenders since each broker can make different agreements with the same lender. If the idea behind the regulation is to help the consumer and to prevent unfair and deceptive practices, the new GFE does a much better job at providing protection to the consumer. With the new zero tolerance from the GFE to the HUD for broker compensation and the disclosure of what the broker is making in YSP stated on the GFE, the consumer has full knowledge of charges and can shop for the the best loan/rate for their purpose. To enact this new proposal without allowing time for the new GFE/HUD and other regulations, which will not even go into effect until the 1st of 2010, puts undue strain on an already weakened industry. Who will lose in this over regulating will be the small honest broker who has, because of the new regulations, had to come up with money to cover new licensing and bonds and now will not be able to compete with other brokers who, because of size and/or volume will be able to cut better deals with lenders. As the YSP stands now, everyone is on an equal footing and can offer better rates for less YSP which translates in a better a mrketplace for consumers. The problems associated with the crumbling real estate market were due to the practices of sub prime lending and option ARMs which are where the regulators should focus. The blame rests on those sub prime lenders who

allowed brokers to charge unrestricted fees to borrowers who were high risk and to lenders who allowed borrower's to over extend themselves by offering products such as options ARMs that don't allow for a down turn in the economy. Most sub prime lenders have gone out of business and most lenders have curtailed the ARM options available. In Pennsylvania the state regulates how much a broker can make on a loan overall. This includes all fees and YSP. Every lender that I have encountered also has a cap on YSP and total origination charges. This is a much better way to keep brokers from over charging the borrower than imposing a flat fee.