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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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To whom it may concern, I am a loan processor and have worked with mortgage brokers for over 12 years. I do not profit from origination, YSP, or service release premiums. In my opinion the proposed amendment to the regulation Z will be disastrous for consumer's choices and will close down the good mortgage brokers. For the unscrupulous mortgage broker AND BANKER the profit on a loan is their only consideration. This rule will not address this problem because 1. It does not include banks and 2. The unscrupulous broker will only have agreements with lenders who pay high flat fees. For a good mortgage broker loan officer their goal is not the profit on the loan. Yes, they want to be compensated for their time and effort BUT they also want to establish a relationship with the borrower and do the borrower's next loan, their sister's loan, their neighbor's loan, and eventually their children's loans. This is where the profitability lies for the good mortgage broker. 10 loans from 1 referral source is worth much more income than 1 loan at outrageous fees with a high rate. I have worked with a variety of loan officers and where and why a loan is placed at a particular lender is determined by a variety of reasons. The requirement to place loans solely based on rate does not take all of these factors into consideration. If a lender offered 1/2 less in rate but they take 6 months to close a loan would the mortgage broker be required to take the loan to this lender in order to avoid litigation? Profit on the loan is NOT why the good mortgage broker places a loan with a particular lender. There are a variety of reasons and analysis that go into where to submit an individual file. We analyze rates offered, lender fees, underwriting criteria, appraisal process, and turn times. There is always a lender who offers the biggest rebate that we avoid because their underwriting is a nightmare or because it takes them too long to close a loan. The beauty of working with a mortgage broker is that we offer the flexibility and the know-how of which lender would work with the consumer's goals. Not all consumers are driven by rate. Some care more about fees and not being hassled by an underwriter who

will ask them to prove when they earned their first dollar. If someone is purchasing a starter home to hold for 2 years they might want to take an .125% higher in rate and save if we have a lender whose lending fees are \$1000 less than competitors and who can close on time and avoid seller late penalties. Or we might know that a particular lender understands how actors and individuals working in the entertainment industry are paid so we will take a loan to where we know we will get an approval. There are lenders whose niches are high ratios on FHA loans or understanding how to calculate and use farm income. Not every borrower works 9 to 5 and is paid a straight salary with no additional income and has their money in a standard savings account. Also certain lenders are known to work with AMC's which downgrade value. If our borrower is refinancing and we know their LTV will be tight we send to a lender who works with AMC's who appraise properties at fair market value. How are we to document all these factors to satisfy this new rule on flat compensation? Also rates fluctuate daily and lenders go in and out of the market. If we prepare a loan package on Dec 1st for lender A because they have the best rate but get back the loan package 10 days latter and determine lender A is now out of the market and lender B is offering the best rate. But all the disclosures went out with lender A's info. So which day of documentation is used to prove we did the best for the client? The client determines WHEN to lock. It is always their choice - they might have chosen to wait because they thought rates would get a little better. Right now we have flexibility and can move the loan to the borrower's advantage but if we are locked into our initial disclosures the borrower will lose out on this flexibility. There are also lenders who are difficult to work with but offer a niche that we need to keep the lender channel opened to work with them. They might offer the "best" terms but we know they find reasons to turn down loans so we only send them the best borrowers. Do we have to submit a loan to them knowing the loan will be declined just to get the decline but protect ourselves from a lawsuit at a latter date because this lender offered the "best" pricing? Best pricing is deceptive. Best pricing might be for the 10% of borrowers who are perfect but that leaves many good but not perfect borrowers out in the cold. Do we need to waste borrower's time and appraisal money just to document that we tried to get them a loan somewhere we knew from experience would not approve them? But that lender technically had the best rate. There is a reason consumers utilize good mortgage brokers. Our expertise helps hem get all of the important things they need out of their loan. A market rate at reasonable fees at a lender who understands their individual financial situation and who will close the loan in the time frame they need. Please consider other alternatives to this proposed change. A loan with a mortgage broker is completely disclosed now. There are upfront agreements which spell out in black and white what the mortgage broker will be compensated. No matter what rules are imposed those individuals who want to defraud and take advantage of the public will find a way to do so but please don't make good mortgage brokers close their doors. If they do then consumer choices will be limited to major banks and, as in any industry, when competition is eliminated the consumer ends up paying more. Best regards, Stacia E. Penders