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Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 04, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
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As an owner of a mortgage brokerage for the past 9 years, it is clear to me that the message the federal reserve is sending relating to their stance on ysp policy demonstrates their lack of understanding of how the mortgage business works. The decision to move to a flat fee will not address the issue that created so many problems for consumers, which is dishonest mortgage bankers and brokers and underwriting guidelines that were too focused on turning a profit than making sure loans were written to perform. How is scrutinizing brokers and how they are paid leaving the lenders free from all disclosure? The result will be a less competent mortgage industry as the truly good loan officers will change careers to something where they can earn a higher income, leaving consumers to work with banks that get away with highway robbery on profit baked into interest rates without any oversight on what they can make! Oversight of Integrity and Honesty should be the standard that is set in the mortgage industry. One's net worth certainly does NOT always match one's integrity. The lack of disclosure for banks and lenders will hurt consumers. Why not disclose? The fact is, Bank loan officers price mortgages and are paid in the same exact way as brokers. Everyone uses the same money(the banks) be it a broker or a lender. Lenders compensation is the exact same as YSP however its' called a different name, a Servicing Release Premium. SRP isn't commonly known. Why, because banks and lenders are not required to disclose it. Why shouldn't banks be required to disclose what they make on the loans as well, if it is seen to benefit consumers by brokers being required to? The compensation system isn't the problem. It be more fair to consumers if YSP remained the same, however banks were required to disclose what they make like brokers? Flat fees will more than likely take a valuable option away from the client, the no cost refinance. Clients are able to refinance and take advantage of lower interest rates without having to pay closing costs, because a broker is able to cover these costs for them using their commission, Yield Spread. How does it benefit the consumer that may be keeping their house for only a year or

2 more, by dis-abling them from being able to refinance if there is a rate drop because the costs will out-weigh the benefits? Allow me to be clear, I am a broker and am 100% in favor of transparency for every mortgage transaction. After all, isn't disclosure in the best interest for the consumer? the current system is not broken. Why fiddle with it, just as the economy begins to recover and the free markets are getting back on track? Less options is not good for consumers and that is what you are doing when you penalize professionals economically. Why else would good mortgage brokers be so highly valued by their clients and real estate partners? The concept of "flat fee", flatly misses the point of legislation designed to protect consumers. As a result of flat fee, Broker Agreements with lenders will need to be re-created and more than likely be different with every bank. consumers will not know what their true cost of financing is compared to what it could have been with flat fee. Rather than focusing on broker compensation, the focus of the oversight should be on Integrity and Honesty. No one with any felony's or history of dishonest behavior should be allowed to originate loans or even work in the mortgage business. Period. Thank you for the opportunity to contribute. Appreciatively and Respectfully, Griffen Hock