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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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Dear Board: As a mortgage Broker for the past 26 years I am shocked by what the government is trying to do with the mortgage brokerage industry. I think they are trying to dessiminate it in a matter of a few years. I'd like to remind you that it was not the mortgage brokers that were bailed out by American tax dollars but large money center banks. Yet it seems to me the Federal Reserve Board puts no new originating restrictions on these money center banks becuase their immediate interest is in recapitalizing them and saving them. Yet the mortgage brokerage industry received no such bail out. If a company had no resources it just closed its doors. Why is it that you continually desire to impose restrictions on the mortgage brokerage industry and not the originators of all institutions. An originator at Wells Fargo, Bank of America, etc could charge a higher interest rate and they are not being rquired by the Federal Reserve Board's new rule to disclose that YSP compensation nor are they required by Hud's new rule to credit the borrower with any YSP they receive. Both Hud and the Fedral Reserve Board are instituting non-competitive practices. The fair thing to do would be to institute one rule that applies to all originators not just a segment of originators. Furthermore you assume by this new rule that borrowers do not actually check interest rates with different institutions that they just go to one institution and they take whatever rate they are offered and that the mortgage broker arbitrarily increases their rate to receive YSP and that the client just accepts the rate. You assume all mortgage brokers are interested in maximizing their profit without any concern for the borrower. The reality is that YSP is usually used by the broker to reduce the closing costs to the borrower. Money center banks did not start using the practice of increased rate to reduce costs until the brokers started doing it. It gives the consumer choice. If you have enough money to paying origination costs, great, if not that's fine too you can still buy a home and YSP is that option. You can not charge one flat fee for an FHA,

VA or Conventional loan there are two many variables affecting each type of financing. Some loans require more work than others. As you can not charge the same fee for a \$100,000.00 loan as you would a million dollar loan. If that was the case why do you not have one flat fee for real estate commissions, appraisal fees, escrow fees and title fees. The real estate Industry has a history of charging a percentage of the sales price for all services involved. They understand that it would be cost prohibitive to charge the same fee for a \$100,000.00 Sales Price as you would a \$500,000.00 Sales price or a \$1,000.00 Sales price. The appraiser has to do more work on an appraisal for a \$1,000,000.00 Sales price than he has to do for a \$100,000.00 that is why there is a price differential. Hud's new rule regarding YSP has not even been tried and tested and the Federal Reserve Board wants to institute another rule. Perhaps the prudent thing to do is wait and see what happens as a result of the new rule. Respectfully submitted, Lilia Rivas