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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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The amendment proposed to regulation Z on August 26, 2009 by the Federal Reserve board is a bold promotion of an oligopoly system in substitute of free market competition. America has long recognized and embraced the ideals of laissez-faire balanced with government control for consumer protection and market progress. The operative word in this case is balance. The landscape of big government today would be an alien world to the founding fathers. For most parts, the expansion of government has been necessary and justified given exigent circumstances. This has been the case in multiple landmarks in history with such examples as the Civil War, the Great Depression, WWI, WWII, and most recently, the wars on terror and the financial crisis. Reasonable people would agree that while many aspects of expansion over the centuries have been justifiable, hindsight has clearly illustrated examples where this has become not only dangerous, but an antithesis to the founding ideals of limited government. Even during the Great Depression, the expansion of national power was limited and initially resisted by the Supreme Court because they recognized that allowing government to regulate certain aspects of economics would open the flood gates to regulate and interfere in every human industry imaginable. This was during the worst financial crisis in American history. Today's 'financial crisis,' on the other hand, comes no where as close, yet by the same measuring sticks, the level of government intrusion would be equally high, if not worse. The recent financial troubles have panicked the public and have undoubtedly given ambitious politicians the opportunity to point the finger. While many experts, economists, and reasonable people who has looked deeply into this matter - especially the housing and mortgage crisis - understands that exacting blame on any specific group is pointless, politicians, and now the Federal Reserve Board, have irrationally found the mortgage brokers to be guilty with no charges declared, and seeks to administer, what is effectively, the equivalent of lethal injection, as punishment. Since 2007, the mortgage brokers have faced numerous regulations that included additional disclosures, additional paperwork, updated forms, and appraisal rules in HVCC, to name a few. All of this, despite the fact that lenders have preemptively tightened lending regulations and have heightened underwriting standards and that most of the new rules were mere redundancy that encumbered the process because the original rules and safeguards would've been effective in the first place, if only they were enforced. Multiple legislations were originated in Congress to severely handicap the mortgage brokers and ultimately limit consumer choice. These legislations never saw the light of day because the representative body understood the implications. Now, the Federal Reserve Board attempts to enact new rules by its authority, what Congress was not able to do in a democratic process. These new amendments proposed by the Federal Reserve Board would encumber each and every single mortgage broker with extreme and unreasonable burden to make the loan process logistically improbable. Furthermore, limitation of how brokers can charge their combinations of fees to best benefit the consumers will have damaging consequences in areas where median loan amounts are extremely small and would be far below the breaking point for many brokers to accept that business. One could imagine situations where consumer has enough to pay one point in origination, but also may wish for the broker to use lender compensation to pay down processing and additional fees due to lack of additional funds. This would be one scenario of many where consumers would be put between a rock and a hard place. This will ultimately force many homeowners into situations where they must turn to retail lenders that face literally very few regulations that are categorically similar when compared to the broker counterparts. This is problematic for many reasons that put consumers at a disadvantage. Since the financial crisis in 2007, hundreds of lenders have gone out of business and the existing smaller banks are backed by the major giants. The market shares of many banks - such as Bank of America - have grown to astronomical size that approaches dangerous percentages. This is especially true when even the other competing major banks are still vulnerable to collapse and instability, as the last several years has proven, in an overnight fashion. If a customer walked into a retail bank, that bank is not likely to tell the customer if a better deal is to be had across the street, or across the town. However, a mortgage broker can choose between both local lenders and banks across the nation to compare rates and programs that helps fit the consumer's specific and exacting needs. Moreover, the customer is likely to pay up-front fees and application fees that psyhologically "lock" the customer to that specific bank, which can create dangerous situations of both predatory lending and bait-and-switch. However, mortgage brokers already have multiple disclosure requirements, including the YSP they earn, whereas retail lenders are not required to disclose the SRP they do earn in the secondary markets - even in estimations. Yet, the Federal Reserve Board would not require that the broker's lender compensation be preemptively limited despite the wide range of ethical and practical uses to benefit the consumers, and make it logistically challenging for the brokers to survive in many markets across the country, inevitably forcing consumers right into the big banks where everything, is assumed much more fair and much more open, when the retail lenders have less disclosure requirements, more up-front fees that brokers cannot charge, and severely limit the idea of free competition and freedom of choice for consumers. For these reasons, it would be a severe mistake on part of the Federal Reserve Board, amidst an economic downturn where housing industry is the spearhead for recovery, to limit the one entity that offers both flexibility and wide range of choices for consumers with additional regulations that would make it nearly impossible for many to stay in business and operate, in the guise of consumer protection when it realistically and effectively, is promoting government operated and central planned choices by limited competition and choice.