From: PeakView Mortgage Professionals, Inc., Charles L Workman

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
Name: Charles L Workman
Affiliation:
Category of Affiliation:
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

To Whom It May Concern: I own a Mortgage Brokerage company and have been involved in the industry most of my adult life either as a Broker or a Lender. I have survived the turmoil in our industry over the years and have an excellent reputation within the industry. I have served on the Rule Making Task Force for the Division of Regulatory Agencies in Colorado to help transform the laws regarding Brokers into rules that are enforcable.In the past I have owned a company that trained loan officers and many of those individuals are owners of mortgage companies now. I have enjoyed this industry because I can see the excitement on the faces of the first time homeowner when they get the keys to their new home or the couple who has been counseled and is able to reduce their monthly outgo of funds through a refinance of their home offering lower payments. I have concerns regarding the proposed rule change for the following reasons. I. COMPENSATION AGREEMENTS With the separate agreements between the lender and the broker, can you imagine the paperwork nightmare? There are less than 10,000 licensed brokers in Colorado. Let's be consrevative and say that number is 7,500 and each broker works with only ten lenders (which I think is also conservative), that is 75,000 agreements in Colorado alone. Who reviews those and monitors them? There is no set fee so each agreement could be different with each company and each broker. If I understand this correctly, with the agreement in place, the lender would control the dollar amount regardless of the loan amount, interest rate, type, term or the underwriting paradigm. If you have a loan officer who wants to disregard the welfare of the client, they can still do this with the amount set forth in the agreement by steering the loan to the lender with the best agreement. II. WHAT IS ACCOMPLISHED THROUGH THE REQUIRED FEE AGREEMENT I understand that the Board hopes to eradicate the incentives to provide consumers loans with higher interest rates or other less favorable terms. As I mentioned above, those loan officers who do not have the welfare of the client in mind will go to the lender who is paying the greatest amount no matter the rate or terms of the loan. How will the rule change change their mode of operation? It will not make them more scrupulous. III. WHAT ARE THE RISKS OF THE PROPOSAL? 1. As indicated above, the negotiated flat fee agreement could result in a higher rate to the consumer. If the agreement is negotiated for a higher fee, the lender has no choice but to charge a higher rate. With that being said, the consumer is the one who pays. 2. If we have an agreement in place, what happens on VA loans? Currently there are certain fees that the Vet cannot pay and the broker normally pays those through YSP. If that is eliminated, who pays those fees? If the lender is paying those, do you think they will not raise the rate accordingly? In come cases, the consumer chooses to pay a higher rate rather than paying closing costs. We, as brokers, have paid those costs through YSP. What happens to those consumers who no longer have that option? The lender will again benefit by raising the rate. 3. We have used the Good Faith Estimate for years to be able to compare different programs for the consumer. While this is not perfect, it is a tool that kept the brokers and the direct lenders (employees of lenders) on the same page. That will soon change on January 1, 2010. How do we do that now with the different agreements in place? 4. As I mentioned, unscrupulous brokers will steer business to the lender that pays the most per the agreement. When this happens, I feel that you will see more civil liabilities arise as attorneys will have a field day. Because of this and the unknown outcome, third party originations (TPO) will become less attractive to the lenders. If they remain loyal to the brokers, this culd increase the costs to the consumer as rates are increased to cover the unknown costs. The other side of the coin is that they will discontinue the TPO and therefore create fewer options for the consumer by discontinuing the competition within the industry. 5. We have a new Good Faith Estimate and HUD Settlement statement going into effect as I mentioned above. It is untested at this time. It still has not given a level playing field for the industry (i.e. brikers vs. lenders). The employee of the lender is not required to disclose any YSP (or in the case of the proposed rule change) the fee agreeed upon. I understand and can explain to the consumer the differences between the broker and the lender utilizing the same rate under our current system, but with the fee agreements in place it is a brand new world. In conclusion, I feel very strongly that with the state of the industry currently, the lack of toxic products that we experienced in the past, the new state licensing and federal registration of loan officers in place and the new untested Good Faith Esitmatbecoming effective,

we should at the least put this rule change on hold and see the impact of these items. The new GFE alone should give a more competitive opportunity to the consumer. I for one, after serving this industry for over thirty years, feel that the rule change will severly negitively impact the industry which will untimately harm the consumer and throw the mortgage industry into greater turmoil than it currently is in. As long as there are unscrupulous people and attorneys out there situations will arise for each. I feel that this rule change greatly enhances the chances for that. I also feel very strongly that after my thirty plus years in the industry, I will need to evualate my position as a small businessman to determine if I am willing to operate with the option of the increased liability that I will be exposed to. My first blush is that I will not. If that is the case, then several people who work for me will need to find new employment. I understand the problems of the past and the need to inform the consumer, but there comes a time when an individual must take responsibility for their own actions. I taught my two sons at an early age that in the game of life, you sometimes win and you sometimes lose and in each case there are consequences. This new rule change appears to be a lose

situation in many ways and the consumer and some of the small businesspeople in America will the ones to suffer the consequences. Thank you for your time.
Charles L Workman, President PeakView Mortgage Professionals, Inc.