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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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Comments:
The proposed rule on the indirect compensation to loan originators will be a disaster to the mortgage industry and to the clients that are served by that industry. However well meaning the intention of the rule may be, the "unintended consequences" will create a mass exodus of loan officers from the industry. What will be left in its wake are a few big lenders and community banks with loan officers paid on an hourly basis and the lack of professional expertise and service that accompanies them. This proposed rule essentially will amount to price fixing by the Fed. What other industry has the Federal Reserve dictated pricing and profit margins to? I am guessing that will eventually be resolved by the Supreme Court when they determine whether a central bank has the constitutional power to fix pricing and profites, but in the mean time the industry as a whole will be devastated. The resulting down turn in the housing sector caused by the rule will likely drag the US economy back into an even deeper depression. The mortgage industry has already been hard hit with job losses. They have been one of the hardest hit in the country. How will even higher unemployment in this sector, many of whom do not even qualify for unemployment benefits due to their self employed status, benefit our current economic situation? In addition, this rule seems to be targeting lender practices that market forces have already resolved. The kind of predatory lending that occurred years ago cannot occur under the current mortgage guidelines, laws, regulations, and lender practices. Sub-prime loans have not existed for over two years and will likely never reappear. HUD's recent RESPA changes that go into effect on 1/1/09 have already addressed yield spread premium. The Fed certainly showed the lack of ability to cooperatively work with HUD in the recent RESPA and Reg Z changes. I would hope that you could do so in regards to this rule and at least consider the changes that have already occured. It seems as if Congress, HUD, and the Fed are all focused on promulgating regulations that have the intention of regulating a market that

has not existed for the past several years. I urge you to take a look at what is happening in the mortgage industry now, rather than maintining your tunnel vision on the past. The industry that exists today is in no way similar to that what existed in the past. On top of everything else, there is a problem with the pace at which change is being enacted. Besides the Fed, the mortgage industry has had to deal with new regulations coming from the legislature and from HUD, and even outside forces such as the NY state attorney general. There is only so much that the industry can absorb in a short period of time. In the last six months, we've had HVCC, RESPA, Regulation Z, SAFE Act, and now the upcoming FHA/HVCC system. None of these have been changes that we cannot adjust to, the problem is with the pace at which they have come. The industry is at a saturation point right now and the kind of change that this represents could result in at least a partial collapse. I urge the Federal Reserve to strongly consider these "unintended consequences" while considering this rule. Thank You Very Much.