

From: Michelle T Ota
Subject: Reg Z - Truth in Lending

Comments:

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Name: Michelle T Ota
Affiliation:
Category of Affiliation: Other
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

To whom it may concern, I was just notified today of the possible elimination of the Yield Spread Premium and a flat fee paid to a broker for loans produced. The notice also stated that we would have to have contracts with various lenders which could have various fees that could be paid depending on the lender. It was also stated that we would have to prove that we provided the best loan rate for the consumer. I wanted to pose my opinions about these proposed changes. First of all I have been working in the industry for over 19 years going on my 20th year. I have worked in many financial climates and many various loan scenarios. I specialize in working with the first time homebuyer. In todays market, due to the changes in down payment requirement, clients are scrambling to save their money to buy a home with 3.5% down and sometime 5% down. Most are banking on the \$8K tax credit to help them out after the loan closes. When clients are low in funds, I have been able to pass on the savings to the consumer by providing loans that pay me my commission by the yield spread premium. To take away this option that has been successful for many years is in my opinion insane. The consumer would have to now generate more money, or ask for more closing costs from the seller. If the seller has little equity left to pay the closing costs you have more transactions that will not be able to happen. At this point in the market, I believe, ALL of the PAST SINS of the banking industry is trying to be corrected without looking at the consequences of how it affects the client and the industry. Right now lending guidelines have become tighter. We are now supposed to fill in forms that disclose more to the consumer. Why not wait to see how successful those forms which were designed to help the consumer understand their costs and their ability to compare? Why are new changes being proposed before the new changes that were proposed earlier have a chance to be implemented. I believe taking the yield spread premium would be a huge detriment to consumer. Not help them one bit. On another note I would like

to address the proposal for the limit on fees and contracts with lenders. Working as a broker, there have hundreds of situations where we have had to cut our commissions due to changes in the industry or additional fees not disclosed earlier to the broker by the lender. There have been times where I have had to work on a file for 6 - 8 months before I could close. Paying for our time and experience is not set by one fee. If a lawyer works 3 more months on a case they are not limited for providing the same end result as a broker. Why would the fees be limited if we have to work harder on a file. The industry dictates that if a consumer is ideal as a borrower, they know they are competitive and they get the best pricing. But if a consumer has a difficult file, we should be compensated for our time to help that consumer get to their goal. The other argument to this request is that the smaller loans for the poorer consumers are going to be drastically affected. Why? because the a loan officer is going to focus on a larger loan to meet their goals if they are going to be limited in commissions. The smaller loans are usually made by the lower income clients. There will be lower quality loan officers helping those consumers because there is a limit on what you can make. Why work on a small loan when at the same time you can get paid on a larger loan (if there is a set commission % you are limited to getting paid) CALHFA which is a loan provided by the state of California. They limit their commission to 1.5 for every file whether the loan is small or large. Right now they are doing very few loans compared to the industry because the brokers will not send the loan there if there is a limit on the smaller loans. Everyone in this industry is trying to survive. To keep their doors open, to keep their homes. I consider myself a good and honest loan officer who has never had a negative on my license. It feels like these changes are being suggested by entities who have their own self interest to see the broker community die, or by people who are not in the front lines working with clients and really understanding how these changes would really affect them. Thank you for your time... Sincerely, Michelle Ota
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