

From: Backyard Mortgage Company, Fred J Goncher
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: Fred J Goncher
Affiliation:
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Dear Sirs: My name is Fred Goncher and I am the President of Backyard Mortgage Corp. A small but successful mortgage broker firm. I have read your proposal for a flat fee in lieu of YSP. While it is well intended with the idea to save consumers money, I am fearful it will have to opposite effect while driving myself other honest brokers out of business. First, a flat fee would put a heavier burden on small mortgages. Under the proposed system a borrower taking a small mortgage would pay higher origination costs than he does now. Who takes small mortgages? Poor people do because they buy small houses. This would become a defacto regressive tax upon the poorest people in our country. It would also conflict with existing high cost loan legislation which limits the fees and costs of loans. The other group it would negatively impact are prudent borrowers who have managed their money properly and do not need a big loan. They also would pay a higher percentage of their loan in closing costs than those taking large loans. I believe this would send the wrong message. Prudency with money should be rewarded and not punished. I think the board does not understand how a broker works or how loans are priced to the consumer. Like most businesses I price my product based on the amount of work involed in giving the consumer the service she desires. A loan that requires very little work will get better pricing. Less work reduces my costs and allows me to pass along the savings to the consumer. If I don't, my competition will and the potential borrower will not use me. In essence, the free market and competition set the right price for this loan. This is how business should work. When I hire a plumber, he bills me based on the work provided. If he had a flat fee of \$500.00 for instance, I would be reluctant to call him to unclog a drain but would always call him to install 2 new bathrooms in my home. This wouldn't make sense either. The consumer has plenty of protection right now. He is free to call and apply to as many banks and brokers as he wishes. The NYS Banking Dept. allows consumers to call and see if a broker has ever had a consumer complaint. The

HERA forbids me taking any money(except to cost of my credit report) until the consumer has received a full disclosure of all costs. The new HUD-1 and GFE starting 1/1/10 makes me responsible for the accuracy for all costs EVEN if I am not charging them. Why don't we give these new regulations a chance to work before we add more. I believe we are at a tipping point with regulation. In NYS there are less than 200 mortgage brokers that closed more than 50 loans last year. This is down from 6000 registered NYS mortgage brokers in 2005. Some that have left the business should never have been allowed in. However, many of those that left in the past 12 months have cited the undue burden of overregulation. I myself spend almost half my day with compliance and licensing. This adds to my overhead costs which eventually trickles down to the consumer. It is a simple formula. Increased regulation = increased cost = higher rates and costs to the consumer. It seems the board does not believe the services of a broker are needed and produce unnecessary expense to the consumer. My response to this is the free market disagrees with you. More than 50% of all mortgages are third party originated. Banks use brokers to originate loans because it is less expensive than having in house loan officers. I was an in house loan officer for 8 years with the Bank of America. B of A eventual closed this retail branch stating it was too expensive to keep it open. They chose to concentrate on their broker business.

No one is forced to use me. Sometimes I am less expensive than my competitors and sometimes I am not. Most customers use me because a friend or family member told them that I made their loan process easy. I was willing to take calls in the evening and on weekends. I answered all questions until they were satisfied. I chose banks and loan products that are both cost effective and appropriate for the customer. In 22 years and over 3000 loans in this industry I have never had a consumer complaint against me. I ask that you please take the advise of hard working industry veterans that have been on the front lines for years. Otherwise you may have no one left to regulate one day. Thank you for your time. Fred Goncher President Backyard Mortgage Corp. 800-637-3307