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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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To Whom It May Concern:

I understand your department is attempting to correct the ills of the mortgage industry and it is much appreciated. This industry is for the most run by inexperienced and uneducated individuals. They do their best to facilitate this market, however, due to their ineptness, they continually makes mistakes that have caused homeowners and now the economy (at-large) major harm which will take years to correct. To this end, it should also be noted that those creating new laws to help stem the tide of mortgage foreclosures are operating in the same fashion. They are developing news guidelines and regulations with no real understanding of how the system works on a day-to-day basis. They are making decisions from 30,000 feet with no clear understanding of the immediate and long-term ramifications. For this reason I strongly urge your department to take a deep and long breath before moving forward with your new legislation (R-1366). This legislation, like the previous HVCC, MDIA and New GFE (about to be put into practice) laws have been pushed through at rapid pace without any real feedback and study. The industry is trying to cope with these major alterations and incorporate them into its daily operations.

We are now just getting the feedback from the frontlines and should have some great recommendations on how these new laws could be modified so they (new regulations) could produce better results. At present day, HVCC and MDIA are only contributing to the system in a negative way. They are causing reputable lending institutions and brokers to decline and turn away legitimate business. Reason; these new laws have degraded the appraisal industry and have extended the process of loans to the point of costing the homeowner even more money to close a loan. HVCC for one has systematically destroyed the high level of professionalism in the appraisal industry. More

importantly, it has taken the average skill level in industry down to the beginner level. Veteran appraisers have been forced out (asked to perform their job at 40-50% of their regular pay) by this new law and therefore the mortgage industry is left with inexperienced appraisers to do the job of a true professional (veteran). The new MDIA law may have been a good concept; however, it was poorly executed. The idea of protecting the consumer is always a good thing; however, those in charge of writing this law were obviously unfamiliar with the mortgage loan process. This law did not take the entire process into consideration and only kept a very narrow view and completely avoided the many obvious realities in the real estate market - too numerous list at this time. As a mortgage professional it is obvious to see there are gaping holes in this industry, with respect to oversight and a standard system of processing loans.

The Yield Spread Premium continues to be the one area that causes the most confusion for consumers and in the same sentence, continues to be used by lending institutions as a barrier to hide behind. Let us be clear, there is nothing evil about YSP, it is a healthy component in our industry for one simple reason. it gives the consumer choices. The problem is, the consumer is unaware whether a YSP exists in a transaction or not. Reason, direct lenders are not required to disclose YSP and the mortgage brokers ARE required to disclose. Why the imbalance? In my humble opinion, I am not exactly sure. I could speculate all day long, but the fact still remains, this playing field is imbalanced and the only person getting hurt is the consumer. In my tenure I have worked for both direct lending institutions and brokers. Having that type of experience allowed me to see each approach to the business and I can honestly say now that a direct lender has more of an opportunity to be deceitful than a broker (if they chose to be) due to the non-disclosure (of the YSP) option they have at their disposal. This is not an opinion, it is simply a fact. In sum, if you are looking to solve the YSP incentives YOU feel are causing mortgage lenders and brokers to place homeowners in inappropriate loans then the answer is quite simple...require all lenders (direct and broker) to disclose their YSP from day one of the loan process. This will eliminate more bad lenders than your flat fee concept. Your flat fee concept will only create a whole new opportunity for lenders and brokers to manipulate the consumer. Thank you for this opportunity to express my opinion and state some well known facts about the mortgage industry.