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Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 05, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
Document ID: R-1366
Document Version: 1
Release Date: 07/23/2009
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While the motives for this proposed regulation certainly are to benefit consumers the proposed rule would have the unintended consequence of doing more harm then good. There are several core problems that implementing this rule would create. First as pertaining to Yield Spread Premiums as being "steering fees". The basis of this misunderstanding comes from the misunderstanding of more recent economic history during what has become known as the subprime lending crisis. Subprime loans where known for being short term arms & made with very liberal underwriting terms. They flourished not because of a greater possibility of compensation, often conforming products offer greater yield spread compensation, but for their easy in underwriting which could be marketed to a large number of clients. This very rule would would force the industry in "steering fees" with each lender negotiating with each broker their own compensation package to promote fundings. A broker would then be forced to shop for the highest compensation between lenders instead of looking for the lender with the lowest rate for their client. The contract would be the basis for the decision instead of our current market evolved situation where each lender competes to put out the lowest rate to attract the broker or customer. The very products that this rule targets don't even exist marketplace. They have long been replaced by Strictly underwriten conforming and FHA products and rebuked by the entire industry as a product that was chosen out of niavity. Instead of remedying any illness in the industry this would serve to make the situation worse and encourage what it is trying to guard against. Secondly, this proposed rule would create a maze of UBER regulation regarding "Flat Fee agreements" that would have to be structured in between each bank and each broker. Not only that but it creates a burden of proof that the broker and banker must meet and document to prevent themselves from suffering from a onslaught of frivilious lawsuits that is punitive. There by levying a heavy tax on small business & increasing their liability tenfold resulting in the closure of many thousands of small businesses & possible endangering the entire Wholesale lender channel. Which would lead to significantly less competition, significant increased in regulatory costs to the entire industry and in the

driving up the cost to consumers. Thirdly, this proposed rule would adversly impact TPO originations, which are a key part of this industry in providing healthly competition between other lenders and between brokers. If this rule was put into place the entire TPO industry would face significantly increased liabilty that would threaten it's very existance. Even if a portion was to survive, it would be severley limited and face much higher operating costs that would be passed on to the consumer. Many of a customers best most cost effective choices are loans originated by independent brokers through TPO channels. These products often offer the best pricing, the best customer service, and the best lead times allowing for the closure of a loan and purchase or refinance in 6-10 days instead of the 25-30 day period that is usual through many of your established FDIC banks. TPO business channels no only employ thousands of people in meaningful jobs but it also serves as a vital tool in holding down the cost of lending while providing a significant amount of lending capacity to the mortgage market. Without TPO originations not only would the cost of lending go up but many well qualified people would find themselves unable to get a mortgage because of the scarcity of lenders left in the business. A SOLUTION. The real solution to the problem the board wishes to address seems to have already presented itself in the form of the long awaited new Good Faith Estimate recently inacted by HUD. This form allows for much more clarify in bother the fees the customer is paying and the total compensation that the broker is receiving. This will allow the customer to fully shop for competitive mortgage products and compare the cost structure and broker compensation for a myriad of lenders. This should serve to drive down the cost of lending without greatly driving up the cost of lending as this proposed rule would. By allowing the new GFE to take effect the board will allow a remedy to this perceived problem to be applied without destroying the entirety of the market. One would hope with the millions of dollars that HUD has invested in the making the new GFE beneficial to the industry that the board will hold back on this "nuclear" option and allow the already regulated market forces to work in fostering competition and driving down the cost to the consumer.