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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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The new rules fail to address the following issues: 1) Some brokers choose to show only a few days of odd-day interest and 2 months of tax escrows while other brokers may show "worse case scenarios". A borrower comparing GFE's with a second lender showing 30 days interest and 4 months tax escrows will assume that the first broker's bottom line---which may be "less expensive" by a few thousand dollars due solely to the pre-paid estimates--is going to be better. In fact the borrower has been fooled because the odd -day interest and tax escrows are determined by the closing date, regardless of what was provided on a GFE. 2) many lenders quote 15 day lock periods, or 30 day lock periods---both of which are lower priced rate quotes than 45 - 60 day rate locks. In my area of the country buyers typically close purchase transactions in 45 - 60 days (or more). Borrowers compare rates just as much as the GFE fees, but are sometimes lulled into a false sense of security that rates will not move between the application date and some future date when they choose to lock in. (One only needs to look back to May of this year when 30 year fixed rates shot up practically overnight stranding many buyers with substantially higher rates at closing vs. rates they were quoted at application) If a buyer waits until they're within just a few weeks of closing to lock the rate---and discover that lender's rates have moved higher---they have no time to re-shop for a new loan. They may also feel financially and emotionally exhausted and unwilling to go through the expense and search for another lender. Their mortgage broker may also have an incentive when the borrower locks only a few weeks before closing: the YSP will be greater for a 15 day lock vs a 60 day lock at the same rate. Until buyers are provided a TRULY apples to apples comparison, unscrupulous mortgage brokers will game the system by deflating estimated costs (such as the pre-paids mentioned above) while dangling rates that fall well short of actual closing dates. YSP itself is not the problem though. The gov't attempts to address the ills of the industry---primarily created by Option Arms and No Doc loans---products that no longer exist---but fails to close the loopholes than

allow bait and switch. If ALL lenders had to disclose the SAME odd day interest, SAME tax escrows, the SAME lock period, etc. in addition to ALL lender fees* then buyers would receive total transparency and accurately decide which loan is better regardless of whether a broker was getting YSP. Mortgage brokers deserve to be compensated fairly just like other industries (insurance brokers and financial advisers) are also paid by the companies they provide business to, but the only way to provide consumers the opportunity to shop is when all variables (ie pre-pays, lock periods) are removed from the picture. * pertains to "appraisal fee" being listed on the GFE as "POC" in brackets. Many brokers fail to disclose this fee up front claiming it is not part of "their fees" which is ridiculous. All fees should be properly disclosed whether they are part of the brokers fees or third party---they are incurred as a cost of getting the loan.