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Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 07, 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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Comments:

I am against this proposal and feel it will tend to harm the consumer. Mortgage brokers are like most salesman in any industry compensate on a percentage of the sales. In this case the size of the loan. While the contention that mortgage brokers steer consumers to a particular product is no different than steering a buyer (consumer or other) to a specific product that has a higher profit margin or more incentive for him. This same situation occurs whether you sell IPODs, cars, beef or toys. It is the manufacturer that positions which products they want sold and therefore have the heights margins associated with them(in this case the lender). In fact the lenders push the brokers in a give direction. That being said, competitive market pressures keep fees in line. Further to paraphrase a Men's Clothing marketer "a knowledgeable consumer is our greatest asset". Clearly the issue is to get consumers to understand what they are buying. However, even if they do they frequently override their own interest for what they consider to a solution to their needs.

The concept of fixed fees mean that brokers will optimize their efforts on what we shall call easy stuff, as this will generate the largest income from them. Also as lenders are forced to pay a fixed fee for small loans they will disappear as the compensation will be too high to make them economical for the lender to produce. Therefore loans which are inefficient for the brokers in time will not be done. Thus this approach will lead to a limiting of the availability of valuable products to the consumer. Your proposed rules fly in the face of studies that have been done by HUD which general show that approaches such this lead to more confusion on the part of the public and restrict competition. As with most Federal rules this will end-up restricting competition, make things harder for the public to understand and increase costs to the public.