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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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Comments:
I believe the main problem with the proposed rule for Regulation Z is that it does not apply to all originators, just those in broker shops. Why are not OTC banks included in this rule? I used to work with a bank and we had just as many investors to choose from as a broker. Banks are exempt from the national licensing as well as the revealing of YSP on the new GFEs. These banks do not service their own loans unless they are the Chase or Wells Fargo of the world. In those cases, they can under cut me on the rate however they know they will make up their money in credit card debt offered to those persons loans they are servicing at 22% interest. Another problem is with the builders. They will work with banks only and not allow the consumer to shop. And if the buyer does shop and get a better deal, they are penalized by the builder when the incentives are taken away because the buyer did not use their in-house lender. An example of this is DR Horton. Their mortgage company is DHI mortgage who really works for the builder and not the consumer. Then the buyer must close at DHT Title who actually works for the builder and is not an objective 3rd party. This type of set up allows the builder to control the buyer by forcing the use of its companies, i.e., mortgage and title company. Although DHI mortgage may offer a lower rate, the YSP lost will be made up in the price of the home, lender fees, and closing fees charged by DHI title. The thought of making sure that borrowers get the best deal is what drives competition. My desire to make some money will cause me to lower my rate and my fees to get the deal. If I get a "flat-fee" from all my lenders as proposed I won't shop rate tied to YSP, I will shop who gives me the largest flat-fee just as long as I make the closing date on the contract. There are provisions in this proposal to keep me from doing that but how will it be proven that I did not choose two other lenders with higher interest rates. The proposal does not require me to reveal all of my agreements, only two others. This ruling will allow the unscrupulous to behave unscrupulously. One major flaw in the understanding of YSP is that the

YSP paid for the interest rate is tied to risk assessment. A 720 FICO score buyer deserves a better rate than a 620 Fico buyer. The 720 has proven for a longer period of time the responsibility of managing debt. Therefore they are less of a risk for foreclosure. A 620 has shown some responsibility but is still a higher risk to the investor for a foreclosure. That potential risk is calculated in projected loss revenue should the loan go into default which is counter-balanced by receiving more interest revenue generated by the rate. YSP is not an evil thing, in fact it is more valuable than one can imagine. For example, during the sub-prime days I rarely used these type of loans. Why? Because I could make more money on YSP with FHA and VA than with these loans. This was a better deal for the buyer, the investor and myself. The buyer received a better interest rate, in some cases by 6 percent which meant a lower payment. It was a better risk to the investor because it was a full document program and thus provided more information about the borrower; and I made more money to make a living. I helped the buyer by serving my own best interest. Adam Smith in The Wealth of Nations stated that by serving my own best self interest everyone received a better deal. To think I am closing deals right and left hand over fist making money is ludicrous. I have to fight for every deal I get by competing on rate, fees, and coming up with the best loan program to save the buyer on the monthly payment and the downpayment . Don't keep changing the industry thinking we are all evil out here. I need to be paid for my working harder, longer, and smarter than my competition. We are not equal in this business. Thank you for your time.