

From: Willilam K Halick
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
Name: William K Halick
Affiliation:
Category of Affiliation: Commercial
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

To Whom It May Concern: The new rule proposed on YSP will not result in the desired result. A flat fee system with multiple lenders creating multiple agreements for different brokers coupled with the some sort of paper trailing system to ensure clients receive the 'cheapest' deal will not work. First, brokers will find out which lenders are offerings the highest "flat fee" payment option and will sign up with ONLY ONE LENDER thereby reducing competition and raising rates and fees to the end user. By doing this they will not have to create a paper trail (which is added time and cost anyway) because since they are only signed up with ONE investor they don't have to / can't shop the client and thus won't have to account for a 'better deal' for the customer. It's just cheaper, faster, easier. The broker will then keep his proverbial ear to the ground to find out when his compensation agreement is out of line with what the market is paying and will thereby leave his current agreement if favor of another, more favorable one. Another thing that needs to be addressed is the differing in disclosures by banks and brokers--if the end product is the same, a 30 year fixed mortgage for example, why must brokers have ridiculous, confusing over disclosing contracts yet a bank, offering the same product does not? The rules are so blatantly geared in the banks' favor. Where is the competition? YSP is a good method because competition in the market keeps brokers and bankers in line. For example, if I were to offer 25% rate mortgages no one would take my offer and thus I would have to lower what I can offer until I am within a reasonable range from what the 'going' rates are, let's say 5% today. Thus until I lower my offered rate to something near 5% (comparing apples to apples, ie same type of loan for same type of borrower, property, income etc.) no one would accept-and that is the market in action. Barriers to entry need to be raised, as they are right now with required formal education and testing a la attorneys and/or CPA's. Let's not forget that is was the banks and Wall Street investors who created the 'bad' loan's such as the

Option ARM (which are NOT a bad loans--WHEN USED PROPERLY), you're local mortgage broker is simply a channel of distribution, they can only offer the products the wholesale BANK or investment company created. By implementing this overly complicated and ineffective new guidelines you will see more good brokers leave the industry because of higher cost and risk. Reducing the number of distribution channels (read: brokers) will consequently cost borrowers more money because there will be less competition in the marketplace. Why do you think Jamie Diamond doesn't like wholesale? Well, because he doesn't want the added competition. What other industry has to completely explain how they reach their margins? Imagine if when you went to buy a pair of sneakers you had to get a GFE explaining how the rubber from the soles was purchased in Brazil, the nylon was made in a factory in China, then the whole process cost \$1.50 a unit but that you were going to pay \$65 for the shoes. And that as the buyer you know that you could get the shoes for 1.50 but that you were willing use surplus of \$63.50 to acquire the sneakers--it's absurd! Competition in the market will keep rates low and margins thin. This new proposed legislation seems at odds with the results it desires. Much of the problems from the last few years stem more from borrower hyper-demand based on the false premise house values will continue to rise (and artificially low rates--thank you Mr. Greenspan) and loose credit guidelines (down payment requirements too lax, no skin in the game = no real loss = aggressive speculation). I could go on here, but my point is simply to say this new legislation although well intentioned will not help the matter. I am willing to offer more input and help work on the matter. Please feel free to let me know and I would be willing to help craft a policy that works.