

From: Cedar Mortgage Company, Michael B. OConnor
Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages

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Category of Affiliation: Commercial

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Comments:

Dear Sirs, I would like to register my opposition to the proposed changes to Regulation Z (R-1366). I believe these changes would be extremely harmful to consumers and the mortgage industry as a whole. The elimination of the Yield Spread Premiums would have the following effects. No cost loans would be nearly impossible and this means that many first-time home buyers would be eliminated due to high closing costs. With the elimination of Yield Spread Premiums, the originator would be encouraged to steer loans to the lender with a higher flat fee. Also, I believe that consumers would be further confused by non disclosed "private" compensation agreements between lenders and originators. This new proposal would stifle competition by creating conditions that would encourage steering. The enforcement of existing anti-steering regulations would be difficult or impossible to enforce. The proposal is not feasible or practical in today's market place. It creates an environment with too many adverse and unfavorable effects on the industry. It would prevent the secondary market from returning to normalcy. I think that bad originators would work the system while good originators would be driven away. And lastly, I believe the elimination of competition would eventually lead to monopoly. Please feel free to contact me if you would like more input on the proposed changes. Me and my colleagues in the mortgage industry are very concerned about this proposed change. Sincerely, Michael B. O'Connor