From: Sierra Capital Mortgage Company, Roland Wilcox

Subject: Reg Z - Truth in Lending

Comments:

Date: Dec 20, 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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December 20, 2009 Dear Federal Reserve Chairman Bernanke: I am writing in response to Regulation Z - Truth In Lending - Closed-end Mortgages [R-1366]. As co-owner of a small, family owned mortgage business, I agree that consumers need the proper tools to determine that a particular mortgage loan is appropriate for their circumstances. As a loan officer, I believe that it is my responsibility to ensure the consumer understands the key terms of the mortgage, whether the mortgage product is a fixed-rate mortgage or an adjustable-rate mortgage, including risky features such as adjustable rates, prepayment penalties, and negative amortization. However, I respectfully disagree with the notion that loan officers' compensation be based on a "flat fee". Before I express my views of Regulation Z - Truth In Lending - Closed-end Mortgages [R-1366], I would like to comment on my understanding of the Federal Reserves' primary areas of responsibility. As a graduate business student, I was fortunate to study Macroeconomics with a former member of the economics staff at the Federal Reserve in Washington, D.C. and Visiting Scholar at the Federal Reserve Bank of San Francisco. My understanding of the Federal Reserve, supported by Federal Reserve documentation, suggests your duties fall into four general areas: 1. Conducting the nation's monetary policy by influencing monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates. 2. Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system, and protect the credit rights of consumers. 3. Maintaining stability of the financial system and containing systemic risk that may arise in financial markets. 4. Providing financial services to depository institutions, the U.S. government, and foreign official institutions, including playing a major role in operating the nation's payments system. With all due respect, nowhere in the aforementioned list do I see the Federal Reserve charged with restricting entrepreneurial compensation. The United States benefits from entrepreneurship in the form of wealth and job creation. The U.S. Government runs the risk of imposing harm when it regulates the compensation of entrepreneurs and small business owners. If R-1366 is

allowed, what is to prohibit government from limiting compensation to entrepreneurs and small business owners in other industries? Taken one step further, can you imagine the implications of government-limited compensation in the private-sector fields of health care, law, financial services, insurance, real estate, etc? I am quite certain that the American Medical Association, State BAR's, Supreme Courts, National Association of Realtors, et al would take issue with this notion of compensation via flat fee. I know that many hard-working professionals in the mortgage industry have provided comments during this open commentary period. With this in mind, I will not rehash the concerns my peers have expressed except to say that their concerns are warranted. What is interesting to note about R-1366 is that banks are exempt from this new law. Federal Reserve Chairman Bernanke: Does this not conflict with the Federal Reserves Duty #2 listed above? 2. Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system, and protect the credit rights of consumers. Why are banks exempt from R-1366 when it is clearly the responsibility of the Federal Reserve to supervise and regulate banks and protect credit rights of consumers? Are you aware that a bank loan officer is not required to (nor do they) disclose compensation to the borrower? Are you aware that a bank loan officer's compensation is not capped or limited to a percentage or dollar amount? Are you aware that a mortgage broker must disclose compensation to the borrower and that a mortgage broker's compensation is capped or limited to a percentage or dollar amount? Given this information, do you believe that Regulation Z - Truth In Lending - Closed-end Mortgages [R-1366] is fair and that all loan originators, entrepreneurs and bank employees alike, are conducting business on a level playing field? As an entrepreneur / small business owner, it will come as no surprise that my company has yet to receive aid in the form of TARP. However, my competitors (e.g., banks) received TARP money to remain solvent while operating in a regulatory environment that allows them to avoid disclosing loan officer compensation. In Business School, this is referred to as a competitive disadvantage. On Main Street, this is referred to as a serious threat to mortgage-industry entrepreneurs. Further, if these mortgage-industry entrepreneurs fail to weather the storm that is R-1366, the resulting job loss and trickle down affects on relatedservice providers (real estate companies, escrow companies, title companies, etc.) will be severe. According to industry experts, there are approximately 150,000 active mortgage brokers / entrepreneurs in the United States in 2009. Add to that the mortgage broker / entrepreneurs employees, escrow company employees, and title company employees and the resulting job loss could total close to 500,000 jobs.
Even more importantly, from the consumer's perspective, failure of the mortgage-industry entrepreneur results in fewer mortgage-market participants which results in fewer choices and increased costs for borrowers. With this in mind, I urge you to reconsider the implementation of Regulation Z - Truth In Lending - Closed-end Mortgages [R-1366]. Thank you for your consideration.
Respectfully, Roland Wilcox Owner Sierra Capital Mortgage Company