From: Amity Mortgage Corporation, Philip R. Jay

Subject: Reg Z - Truth in Lending

Comments:

I spent nine years as a compliance officer for a Wisconsin regional bank, then seven years with Citicorp as a credit review officer dealing with compliance issues. I have thirty-eight years of experience in real estate lending, mostly consumer lending. I have spent the past twelve years as a mortgage broker and seen the ups and downs of the industry including every imaginable fraud scheme imposed on unsuspecting borrowers. I have worked closely with the Arizona Department of Licensing (f/k/a Arizona Banking Department) on regulatory issues.

That said, I would like to briefly say that the changes to the regulations that go into effect on 1/1/2010 will create massive problems. Even for someone with my background and experience, I have serious doubts that I can avoid the regulatory land mines in this legislation. I don't believe any individual lender can be protected against the complex set of rules. I began real estate lending when RESPA was rolled out. That had some challenges but not like the combination of these new regulations. I expect many honest mortgage professionals to leave the business as a result. I have considered that myself -- particularly because of the risks associated with a potential disclosure violation.

The consumer can expect borrowing costs to escalate as brokers brace for transactions that will not close or where refunds will be required in the face of every effort to avoid violations. My company is preparing to hire a law firm to review our documents for compliance. That cost, you can bet, must be passed along to the consumer. A reserve will need to be established to cover losses resulting from the impact of compliance issues. That reserve will be created from higher borrowing costs charged to consumers. So, the end user will see a significant increase in pricing directly attributable to these new rules and requirements.

In the course of these thirty some years, I have had less then three instances where a refund was required due to a disclosure error. But, I would expend to have 10-20% of my transactions falling into this catagory in 2010 and beyond. Why? Because it is beyond the ability of even the brightest loan officer. I appreciate what the regs are attempting to do because I have warned people for decades about intentionally inaccurate Truth-in-Lending documents and Good Faith Estimates. So, I understand what the goal is. I just wish it would be so costly to the consumer as a result. I can only hope my investors (US Bank and Wells Fargo) can partner with me to avoid as many of these issues as possible. I expect the percentage of criminals in the business to increase as good people drop out.

Regards,

Philip R Jay, President
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