

From: Homestead Mortgage Corp, John Wines  
Subject: Reg Z - Truth in Lending

---

Comments:

Date: Sep 23, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
Document ID: R-1366  
Document Version: 1  
Release Date: 07/23/2009  
Name: John Wines  
Affiliation: Homestead Mortgage Corp  
Category of Affiliation:  
Address:

City:  
State:  
Country:  
Zip:  
PostalCode:

Comments:

To Whom It May Concern, My name is John Wines and I have been in the mortgage industry for over 10 years. I have been involved in many different aspects from underwriting to loan origination. I have worked for large banks, correspondent lenders, and currently own a mortgage brokerage company. While I agree with the intent of this proposal to ensure that borrowers are placed in a loan that is best for their particular circumstances, I believe that it is taking the wrong approach and could have horrible repercussions if approved. These repercussions will make this crisis even worse and create deeper issues that will be extremely challenging to reverse. As a mortgage broker, it is my number one goal to help my borrowers find the best loan available to meet their individual needs. Unfortunately, I know that there are many dishonest lenders out there that are misleading borrowers. I hate it for the borrowers that have been taken advantage of. Their dishonesty has cast a black eye on the entire industry and has made it more difficult for the honest lenders to help their borrowers. The goal of any future actions should be aimed at removing the few crooked lenders out there and moving forward with the honest ones that work day after day to help borrowers get the best loan possible. The misconception is that mortgage brokers are the root of this problem. I have worked all throughout this industry and know that is not the case. The elimination of Yield Spread Premium would put EVERY single mortgage broker out of business. By doing so, the only option you leave borrowers is to go directly to a bank to obtain a mortgage. On the surface that might be what our legislators want, but please remember the following: 1. Yield Spread Premium still exists. Banks might not be required to put it on a Settlement Statement, but they too make more money for charging a higher interest rate. In fact every day, mortgage brokers get interest rates for their borrowers that are far lower than what the banks are offering in their branches or through their call centers. I know this because many times I have asked my borrowers

to go to their local banks and see what they are offering. Lenders offer us lower interest rates because we don't require the high overhead that call centers and branches need to operate. Wells Fargo will offer us a lower interest rate than what a borrower can get if they call Wells Fargo directly. Yield Spread is not the cause of this mortgage crisis, but is being used as a scapegoat. This mortgage crisis has offered a convenient opportunity for legislators to try and get mortgage brokers out of the industry. A slight markup of the interest rate is what keeps closing costs reasonable and gives us options when trying to find the best way to structure loans for our borrowers. Banks use yield spread to offer "No Closing Cost Loans". The banks are not waiving their closing costs. They are offering a higher interest rate to make up for the fee's they aren't charging. Not to mention, please name an industry where a product is not marked up? That is how corporations stay in business. Not one industry that I can think of offers their products at cost. No business would be able to survive if they did that. How is yield spread inappropriate for mortgage brokers but OK for banks if brokers can earn yield spread and still get our borrowers a lower rate than what the bank can offer? 2. Rates would go up. If you eliminate mortgage brokers, banks WILL raise their interest rates. The reason is simple. As I mentioned previously, without us their cost of business will go up. The banks will need to make up for this by charging higher fee"s and higher interest rates. In what ways does that benefit the borrower? 3. We create competition and are better suited to help borrowers find the best loan programs. We are trained and spend every day comparing one bank to another to help our borrowers find the best loan for their particular needs. Mortgages are not a "one size fits all" type of product. Far too often, I see the banks trying to squeeze a borrower into a loan program that is not right for them because that particular bank doesn't offer the right program to meet their needs. But they try to make them fit into a program that they do offer, which might not be appropriate for them. Without a thorough knowledge of the industry and what is actually available, the borrower does not know any better and closes on a loan that is not the best program they could have received. Mortgage brokers help their clients sort through all of the different lenders and their various loan programs to find the absolute best one. We don't care if the loan is through Wells Fargo, US Bank, Bank of America, etc. As long as it is right for the borrowers individual situation. 4. The banks (not mortgage brokers) were the very ones that put out the loan programs that got us into this mess. I agree that everyone should have been more responsible with how they recommended these programs for their borrowers. Many of us did act responsibly and appropriately cautioned our borrowers about risky loan programs. Not once did I recommend a Pay Option ARM for my borrowers. I closed one of them at the insistence of the borrower. That was after I fully informed him of the risks and benefits. But to pin the current crisis that we are in on mortgage brokers or Yield Spread is irresponsible and inaccurate. 5. Customer service will completely disappear. Mortgage brokers can offer service that the banks cannot. We hold our borrowers hand from the beginning to the end of the loan process. I personally attend every one of my closings to ensure that the process ends as smoothly as it starts. I am on a first name basis with every borrower that I work with and stay in touch with them years after they close. I talk to them on almost a daily basis during the loan process. Banks cannot offer that same level of service. We help ease the fears and challenges that are going on right now. Applying for a mortgage is a frightening experience, especially in the current state of the economy. Customers need to be re-assured and comforted that they have someone that is looking out for their best interests and knows their particular needs. I am 100% in favor of change. But the change has to help make the industry change for the better and

I believe wholeheartedly that this proposal will not do that. I believe it will create an even bigger problem. Mortgage brokers are a huge asset to this industry. Eliminating them would create negative consequences that will give the banks too much control and will ultimately result in the borrower getting charged higher interest rates, higher fees, and end up in loan programs that are not appropriate for them. Customer service and consumer confidence in the industry as a whole would go even lower than it is right now. We need to eliminate many problems within the industry, but this is not the correct way to go about it. Sincerely, John R. Wines President, Homestead Mortgage Corp.