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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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The element of the Reg Z proposal that seeks to decouple the incentives of the loan transaction from the loan originator is a very short sighted idea. Just one common occurrence illustrates this. Often loans are consummated with zero income to the mortgage company. Rates may have shifted and the loan gets completed because the originator wants to keep their word. The benefit to the borrower is one sided, but the goodwill that is created makes the transaction worthwhile. In the vague outlines of the proposal, those deals probably would not get done if the originator were guaranteed a minimum flat fee, the mortgage company wouldn't fund that loan. There are so many scenarios that play out where loans don't get funded because a) it's too much work for the pay; b) the economics don't work for the borrower without ysp; c) Lo's can't stay in the business with no upside to their effort; d) banks subsidize their mortgage efforts to drive the broker out of business in the short run only to make it up later. When did the U.S. decide what private citizens can make? This is a very, very bad precedent.