

From: Brian Berman
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Name: Brian Berman

Affiliation:

Category of Affiliation:

Address:

City:

State:

Country: UNITED STATES

Zip:

PostalCode:

Comments:

The idea of limiting the ability of the mortgage originator be it a broker or a banker to show their clients the best mortgages options is wrong. Changing the way that originators are compensated will greatly limit the ability of the consumer to pick the best person for the job. The board had concerns about transparency in compensation. that this just shows that the board proposing that transparency is important does not understand the home financing process. For example, if Broker A is offering a rate of 5% and has closing costs of \$4000 and Lender B is offering a rate of 5.25% and \$4000 which is the better option. Clearly option A is a better option. What I failed to tell you before you guessed that Broker A was better is that the lender in A had a Yield Spread premium of \$2000 and Lender B had a YSP of \$1000. Does the fact that Broker A is making more than Lender B change the fact that the end result is that the borrower should choose Broker A? NO! There are no benefits to the consumer of eliminating YSP. In fact having brokers be required to disclose this will only confuse many borrower and cause them to be nervous about YSP. Going away from the current system will hurt the consumers very similar to the way monopolies hurt the utility world. Look at all of the states that had gas and electric monopolies (ie banks) and then they deregulate the industry and create competition and the costs of utilities drop, quality of service goes up and it puts the Ernest on the companies to have to have high quality and the best rates in order to earn the clients business the same way the mortgage industry should be. When you limit the ability and the amount of money someone can make you in turn cause them to have to change the way they do business. A great example of this is the appraisal business and HVCC. Appraisers were used to making \$350-\$400 per appraisal. When HVCC came in there were two options. Either raise the price, which hurts the consumer or keep the price the same and the Appraisal Management Company would make some of the \$400 and only pay the appraiser \$250. The appraisers who went from making \$400 to \$250 would do a much poorer job on the report, spend less time on the details and rush to try and get to the next report and neglect quality for

quantity because they would have to do twice the work for the same pay. Both of these hurt the consumer and this would happen if the board took away YSP and direct broker compensation. What the board is proposing is transparency or elimination of the brokers or originators ability to earn a profit. In most industries there are profits (without them what is the point of doing business) Why is the board only concerned about one industries profit. why are they not concerned about the transparency in banks profit on savings and checking accounts. Why are they not concerned about the profits of the lenders. And if you want to take it that far why are they not concerned about the profit of grocery stores.. Why not have the profit on every tomato we buy at the store. The ability of a broker to offer a lower cost option to banks will be eliminated with this rule. While banks will be free to still earn a profit, the same way brokers were but with much less competition. If banks don't like brokers so much then why do most of the banks work with brokers. The answer is simple they work with us, because we are better and less expensive than paying their employees to originate loans. If brokers were more expensive than they would simply stop the broker business. Also in the board's proposal they would like to have flat compensation for all interest rates. this would dramatically and adversely affect the consumer's ability to choose the right interest rate. Often times the lowest rate comes with the highest costs. A broker can do a break even analysis and determine based upon the consumers needs what the right rate is for their needs. In the Auto industry if a salesperson sells a car for \$500 more than cost then the company makes \$500 and everyone is happy. It should be the same in the mortgage industry. If the broker sells a rate higher than par and the borrower is happy with those payments and terms then the company will make a higher profit. Why does the board feel that limiting profit is a good idea? What if we decided we wanted to limit the number of hours people can work in a week so that no one ever got overtime anymore! Of if we set salary caps for the board at less than their current salary but told them they had to work 10 more hours a week then they currently work. This would be unfair. What if the board was talking about capping your salary right now the person reading this comment? That's right if they cap brokers and originators pay what is to stop them from putting their ideas to work about your pay. In conclusion the board should see that prohibiting compensation to originators will be restrictive and unnecessary to achieve their goals. They tend to over complicate the situation. In order to level the playing field and have a much more transparent system they should perfect the good faith estimate. There should be different sections to the GFE. Part 1 = Loan amount, rate, payment Part 2 = Lender related fees (not including YSP because its irrelevant) Part 3 = 3rd party costs Part 4 = Prepaids and Reserves. The broker would be responsible for ensuring that parts 1 and 2 do not change without the express written request of the borrower and that parts 3 and 4 are accurately estimated. If the borrower wanted to compare different lenders estimates they would simply look at parts 1 and 2 and know which one had lower lender fees and lower payments. They could then make a fully informed decision. It does not matter how much the Loan Officer makes or how much YSP they are getting. If the borrower looks and signs off on parts 1 and part 2 then it should be clear their payment and costs. Thanks