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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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Comments to proposed bill R-1366, Reg Z Changes to YSP and the Mortgage Broker I have been in the mortgage industry for 25 years now and owner/broker of a small independent mortgage brokerage since 1986 in Orange County CA. I have seen many changes in the industry in past quarter of a century - it seems every decade, right after a housing down (this is by far the worst of the 3 big down cycles of past 3 decades that I've personally witnessed) cycle, fingers always inevitably get pointed directly at The Mortgage Broker and their Alleged partners in crime; the Appraiser. Oh sure, Wall Street got their fair share of blame months later when it could no longer be ignored that they were the one's ravenously demanding more more more Bad Paper to package as MBS's to sell to little ol unsuspecting Countries like Iceland and Norway, etc. Destabilizing the World Economy as a whole. Back to the small neighborhood independent mortgage brokerage firms; Most of the Bad Apples that were Only Using CFL Licenses (no testing, just unaudited P & L for Asset verification and several hundred bucks and bam, they were licensed "to kill"). Furthermore, using Just a CFL (consumer finance Lender Brokers Lic. issued by Dept. of Corporations and Not the Dept. of R.E., which requires either college degree or 2 years prior exp. with Salespersons license Before every Applying for Broker Exam and license) the CFL broker, which Most Bad Apple Crooks were, had No requirements to even have their sales agents/ reps/advisors, or whatever they called themselves, be Actually licensed Experienced or properly trained to Sell All Various Mortgage Products to the home owner/home buyer!! So All they Sold WAS Sub-prime Neg Am 2/28's and 3/27's Even to Folks Who Qualified for GSE Conv. 30 year fixed loans!! That in my opinion was the true recipe for disaster, when merged in with the bubble bursting of 2007 housing values. Then the Domino's started to fall and they Did Fall. let's also not forget about Countrywide, WAMU and several other Big Lenders, and that They were leading the Charge the first part of this decade - Selling this Time Bomb Paper like Crazy on their Retail Side AND Buying and packaging \$100 Mil Blocks

of it for Resale in Secondary market to Wall St. as mentioned earlier. Yet C.W. NOW B of A, along with Citimortgage, Wells and Chase are Now Leading the Charge in Washington with their deep pocket lobbyists, Pushing this YSP Bill as a good thing?? Every decade, I've been in this business (remember early 90's?) The Big Banks Left Standing in each Decade after fall out and attrition runs it's natural course during down turns, All tried to put real estate brokerages out of business, because Big Banker wanted to be a One Stop Shop 17 Years ago too!!! Now they've created and fueled this mortgage broker haters bandwagon! Heck, we Know the Big 4 Banks Have Money and Power, just look at what's already happened to appraisers with the HVCC Law? Now they continue to press their Big Shoes down on the throats of small mortgage brokers in every corner of our great Nation, created on the concept of Market Capitalistic Free Enterprise. They Again Want the WHOLE Pie to Themselves, by continuing to Press for legislation eliminating YSP's (code for Eliminating Mortgage Brokers in General). My closed loans of past 20 years show Most loans closed at par or very small YSP's to Help on occasion, that borrower who'd like to keep the closing costs down a little more, or Need that wiggle room due to Tight Equity/LTV and having cash needs for home-improvements or paying off another %800 to their Nordstrom Card, Etc., Etc. Etc. Myriad Reasons for the Benefits of Having That YSP OPTION to Offer When NEEDED. All My Clients Are Fully Aware of How that Aspect of Their New Loan Works, No surprises or upset customers! In fact for most of the past quarter century Why do you think it is that I've hardly had to Advertise with mailers and flyers, or yellow pages, etc.??? It's because of Happy Repeat Clients and Their Referrals! As I read from a previous comment posted by a mortgage colleague; Most if not All of the bad apples and con artist have long since disappeared from Selling Mortgage LOANS. Albeit I do think some have popped back up out of their holes, trying to double dip with scam loan mods and credit mods etc. because that is Wild West of unregulated cottage industry that sprouted from the melt down. But that's for another Bill down the road I'm sure we'll be seeing on the docket next year! Right Now - this is the Hot Button du jour on Capitol Hill; YSP's for Broker Use and taking that Valuable Tool to keep the playing field Level For the Consumer. Already it's a skewed playing field for those Who Fund Loans with a Warehouse Line of Credit - These Players, already get 5 downs to go 8 years, with Not even being Required to Disclose Any Fees Earned using the YSP, NOR disclosure anything more than the percentage of loanserviced to sold? Why Not Get a Bill started to Disclose Exactly How Much the Big Banks or Mortgage Bankers Earn When They SELL Mom and Pop's Loan to Wall Street or wherever the highest bidder might be, for that Bulk Sale or Spot Sale in Secondary!! Don't get me started on Totally Level and what that Should Mean. All I am requesting is to Stop tilting Playing fields even More than Already done, with Choices to the Consumer Not being taken away to the point of anti-trust violations at some point in time, if this path continues! Because all who'll be left standing will be B of A and Citi, maybe Chase and Wells too, but they'll all eat each other too eventually if this is allowed to continue down this road. Please, let this economy breath again and heal to a point we all have a shot at economic housing recovery some year soon!?? I remain hopeful that our fore father's dream when founding this Country does not die with exactly the opposite of what they so disdained; Over Governing the People! Please think about that when your head hits the pillow tonight and Don't Shut Down Another Industry that has already by attrition gotten rid of most the crooks. Let the FBI throw the one's who harmed others, be put behind bars and pay for their damage caused, but Do Not Lump the Entire Industry in to this Penalty Box. Most left now are still paying the price for the sins of those Fast Buck Con Artists - with still frozen lending on the GSE Side and FHA soon to follow when they adapt the HVCC guidelines using AMC's.

Don't make the Consumer pay because of mistakes made by All Involved in the Mortgage Loan Machine from Law Makers, to Wall St. to Brokers both R.E. and Mortgage and yes even some greedy on Main Street who speculated in the Flipping business. Finger pointing doesn't do any good, if the end result means Cutting off the entire hand. Then next it'll be the arm.....You've already got your unsuccessful HVCC/AMC law, new disclosure amendments to time frames for doc drawing and signing after disclosure presented, etc. My Proposal is just to say I am in Full Agreement with the National Mortgage Broker/Originator Registry already in motion - with criminal background checks, etc. with one addendum to Grand Father Clause being Added; If the Broker is Already License by an Agency like the Dept. of Real Estate here in CA, whereby stringent testing and exams were already administered to even acquire the broker license, along with continuing education testing and exams to renew every 4 years, those licensed brokers should be classified as exempt to these new testing models currently being set up for use to pay another fee to the State or Fed for another Similar License already issued by our CA DRE. Background Checks along with no longer accepting licensing to establish broker status using CFL type license which requires no formal testing/exam or knowledge. Require the Wholesale Lenders accepting broker loans Only Approve and do business with Dept of Real Estate or Equivalent Earned Brokers Licenses. That should then Take Care of the Getting In Part. Then Police it with Fed Watchdogs as is currently being practiced. And you will see a Vast Improvement to the ethical practices of our once proud industry and a huge decline in mortgage fraud and foreclosure! Thank you for allowing this small independent mortgage broker's comments and proposal - I hope this deeply concerned heart felt letter does Not Fall on Deaf Ears with my Publicly Elected Officials in Washington? Do the Right Thing here, Ladies and Gentlemen!! Help this battered real estate injury back up off the mat, instead of keeping it in it's current choke-hold. Sincerely, Thomas Purcell Pinnacle Mortgage Group