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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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I have a problem with this section: In developing the proposed amendments, the Board recognized that disclosures alone may not always be sufficient to protect consumers from unfair practices. To prevent mortgage loan originators from "steering" consumers to more expensive loans, the Board's proposal would: Prohibit payments to a mortgage broker or a loan officer that are based on the loan's interest rate or other terms; and Prohibit a mortgage broker or loan officer from "steering" consumers to transactions that are not in their interest in order to increase the mortgage brokers or loan officer's compensation. Firstly, if broker compensation is eliminated you will be INCREASING costs to the consumer and preventing competition which will eventually lead to increased fees and rates across the board for consumers. Yield Spread Premium is exactly the same as Service Release Premium which lending institutions pay themselves when they "release" the loan for servicing. Only SRP does not need to be disclosed but YSP does. So if you ARE truly going to make a level playing field for the consumer then you must eliminate SRP at the same time as YSP. Take away one and not the other you then create a completely unfair playing field for brokers versus direct lenders. The whole idea behind a consumer working with a broker is CHOICE. Brokers have the unique ability to look at several lender's guidelines and rates and help a consumer choose what is best for them and their situation. But if you force only the brokers to eliminate YSP and not force direct lenders to eliminate SRP then brokers must charge ALL of the fees and commissions up front which then puts the broker at a disadvantage when the direct lenders still have the option of paying for some or all of those fees with the SRP that they would still receive. The mere fact that direct lending institutions do not have to disclose SRP but brokers must disclose YSP is already unfair. But consumers still seem to continue to work with us brokers anyways because brokers must become more educated about all of the available loan products in

the market and they must spend more time educating the consumer about what is contained in their good faith estimate and truth in lending statement. Loan officers at direct lending institutions are limited in that they only have THAT lender's loan products to offer and cannot make ANY true comparisons for the consumer. If brokers are eliminated (which could happen when you lean the playing field in the direction of the direct lenders) then things will go back to the way they used to be when consumers had to drive from one bank to another or call 4, 5, 6, 10 different direct lenders in order to do the work that one broker can do for them in an afternoon! Brokers are a HUGE time saver for consumers. And they create the necessary competition that keeps fees and rates competitive. If you give the competitive edge to the direct lenders then we are taking a GIGANTIC step backwards in protecting the consumer. I highly recommend interviewing top producing brokers and dig deep to see how unfair and unbalanced it would be to eliminate YSP and not SRP at the same time. Secondly, being able to receive YSP or SRP is a way of keeping the consumer's upfront costs down. There are many services that are involved in funding a mortgage. There are title fees, escrow fees, wire fees, origination fees, underwriting fees, processing fees all of which need to be paid in order to fund a mortgage because all of those services are needed. Just because one lender doesn't have one particular fee listed on their GFE doesn't mean that fee or wage did not need to be paid. All of these services have fees and by being able to receive YSP or SRP we are able to help lower or eliminate some of those upfront fees. It works the same way with SRP for direct lenders too. Again, if you eliminate YSP for brokers and do not eliminate SRP for direct lenders then you create that unfair playing field and then the direct lenders have a huge edge against the brokers. That kind of monopoly will eventually lead to increased fees and rates from the direct lenders. If you cannot see that then you need to go re-study economics 101! Please rest assured that the attrition of loan originators just from the housing bust has gotten rid of MANY of the bad apples out there. Once loan officer licensing takes effect you will be eliminating any other felons in this biz and then the ones that are left will be licensed and can be tracked from one employer to another and you will be able to pinpoint the evildoers and punish them accordingly. But please do not try to OVER-regulate this industry.

You will just be reducing and eliminating competition and making things worse for the consumer much like HVCC is doing right now with an average increase of \$822 in costs to the consumer right now! One last note, I have noticed over the years that government regulatin tends to arrive too late. You guys in government tend to be reactive instead of proactive. Just think! If you had listened to NAMB back in 2000 and started requiring licensing and background checks of loan originators back then, we probably would not have had the level of fraud that we have seen in the last 10 years in this industry. Real estate agents have been licensed and required to have continuing education since the 70's or earlier. Did you truly not think that the financial side of a real estate transaction shouldn't have the same kind of scrutiny?? IN CLOSING: Eliminating YSP would be traumatic for brokers and destroy their ability to be competitive in the market place ultimately increasing costs to the consumer and NOT protect them. Shouldn't direct lenders AND brokers have to follow the same rules? I would love to see you guys require direct lenders to disclose SRP or "estimated" SRP to consumers just like brokers must disclose YSP. Then it would actually be a level playing field. But at the very least, do not take away the broker's ability to lower up front consumer costs and stay competitive in the market. It's unfair and you should know better.