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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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As a mortgage loan originator, I do agree that many consumers/borrowers are mis-handled in regard to the product (s) offered to them. As I see it, the problem is two fold. (1) The disclosures are difficult for the average consumer to understand. The disclosures are also long winded and do not get to the point. I believe in disclosures, however; when a consumer sees the application "packet" that can be up to 50 pages, the consumer just signs to get the loan. Therefore many miss the important information. This is of particular concern if the borrower is entering into a special product such as an Adjustable Rate Mortgage (ARM), for example. Each and every product and each and every borrower are unique. It certainly is difficult to find a way to ensure that every consumer COMPLETELY understand all of the circumstances surrounding the loan into which they are entering. Giving consumers more time with the TIL for example (3 days prior to closing), really does not help solve the
problem. MAKE THE DISCLOSURES SIMPLE. USE BULLET POINTS. Stop letting the banks write the disclosures. (It's similar to the issue consumers' face when entering into credit card agreement. Although the bank may not mean to do a "gotcha", the consumer didn't read the 'fine print' of every point about the credit card. No one has the time or the patience for this type of informing.)
The questions are: How can we better inform consumers and borrowers? When is the consumer/borrower 'responsible'? If they sign a disclosure they did not read, they should be held accountable. Is the Loan Originators new job requirement, 'talk to the borrower as if they are 4 years old' and make them repeat everything that is being explained and signed? (2) Many loan originators do not know the details of the products being offered by the lenders. Some of these products can be extremely detailed involving quite a bit of math and calculating. There are software programs to help loan originators prepare an application as it will calculate the numbers. In addition there are software programs that will tell the LO if the loan will stand on its own

financially prior to sending it to underwriting. However, the software program is not going to 'explain' the details of the transaction. Some of which are not easy to comprehend, let alone explain to a potential borrower. A few examples: -Regarding an FHA home loan's monthly Mortgage Insurance Premium (MIP), how long will the borrower pay that monthly insurance and when can it be eliminated? -Regarding an FHA home loan, if you are already an FHA borrower, do you NEED an appraisal or not to refinance to lower your interest rate, why or why not? -If the borrower is refinancing their loan to let's say, lower their interest rate, how do you explain the 'prepaids & reserves' on the Good Faith Estimate which involves the borrowers escrow (monthly property taxes & monthly hazard insurance) account and balance? These are only a few examples! As you can see, these are difficult and complex financial structures. Let's be honest, both the borrowers and the loan originators are not economists or mathematicians. I can be speaking with a potential client and they will tell me what their "previous loan originator" told them about their current loan. If the information they tell me is WRONG, what is the loan originator that failed to tell the borrower a specific detail or was it the borrower that doesn't remember being told or remembers it wrong? I come from a customer service background and I never want to make a client 'wrong'. Also, I don't want the client to feel as though the industry has 'yet again' failed them by not properly informing, educating, disclosing & explaining the complexity of their loan. THAT IS QUITE A difficult position in which to be placed. My main goal is to treat my clients with care and integrity. I need them to TRUST me. Believe me; I am not happy when I hear a new, potential client curse the day their last loan originator was born! All I can do is apologize and then get them to believe I will not do that to them. That I am better; that I know what I am doing.that is all before we can EVEN start talking about their actual GOALS of the REFINANCE! Consumers are tentative and scared to trust anyone in the industry even though they need or want the services. Consumers I speak to who are interested in doing so are usually very apprehensive at best to go forward with a refinance that can TRULY have a positive effect on their personal lives, saving them hundreds of dollars a month that they can use for college, retirement, etc. CONSUMER CONFIDENCE: Consumers/borrowers lack confidence for many reasons; one being the mixed messages coming from the Government and the White House. President Obama tells people to go lower their interest rate. So they start the process. They do an application the LO took time to create, an appraisal is ordered, they paOUT OF POCKET for an Appraisal ($350-$400) The appraisal comes back perfect and the client can now lower their interest rate! Only NOW many are told they do not have enough equity in their home and cannot lower their interest rate. [HERE's WHY: the HVCC Appraisal situation is not working. Clients that should have NO PROBLEM (even in this low value market period) qualifying to lower their interest rate, term or both are now not eligible due to the incorrect formulas put in place on appraisals by HVCC. Here is the message: "Please go lower your rate, oh sorry, you do not have enough equity to do so! See, even though the FHA approved appraiser with 20 years experience in Washington DC gave an accurate appraisal amount on your home in regard to home sales and comparisons, well, now since HVCC was passed by the Federal Government we MUST lump in the outlying 'badly declining' areas, therefore; your appraisal will need to come down 28%...now you do not have the equity refinance. So sorry." This is a true story!! Sorry for the Client, sorry for the Loan Originator, sorry for the potential new Lender, sorry for the Economy. Seriously, who comes up with this kind of craziness?] I can spend days working with a client and one negative comment from a family member or a friend who has not been involved in the process I have been taking the client through will end the potential refinance. As you know, loan originators do not get paid for consultations. We

do not get paid up front. We get paid when we successfully process, underwrite and close a loan. UNDERWRITING: The underwriters at the banks and at other lending institutions ARE the people that understand the details of every product. They HAVE to. They are the people that look at the proposed loan and tell the loan originator what is wrong with or what is missing regarding the loan. The underwriter then 'CONDITIONS' for these items to be met, until these items are met, that loan will not get a "CLEAR TO CLOSE" which means all the i's have been dotted and all of the t's have been crossed. The underwriter is the key to the process; the one individual that understands what each product is about in detail. I SUGGEST THAT THE BOARD ROUND UP SOME VERY EXPERIENCED UNDERWRITERS, SOME FROM LARGE BANKS AND SOME FROM SMALLER LENDING INSTITUTIONS
AND GET THEIR PERSPECTIVE ON HOW TO BEST MOVE FORWARD regarding the disclosures and information offered to the consumer. How did they get trained and educated in regard to the specific products in this ever changing environment? Who is training them? How can the same training trickle down to the loan originators so we can begin to get some respect as professionals? Most of the time LO's learn On the JOB, by making mistakes. Again, that is not going to offer confidence to the consumer/borrower. EDUCATION: I hold a Maryland Originator's License. I had to take a 40 hour course to get it. The curriculum is vastly lacking education on specific products and the details within. The majority of the course is about predatory lending and the all of the endless LAWS and regulations. Instead of learning how to explain the products to the clients, we spent the majority of the time memorizing acronyms such as HESPA. Although important, way too much time is spent on these aspects of the industry. If we want to do a better job helping the consumer/borrower and have half a chance to eliminate predatory lending we need to ensure the course offers education on products! COMPENSATION I do see the point of being leery of the 'conflict of interest' that loan originator's face. I have heard horror stories from unprofessional, uneducated loan originators putting clients in the wrong product because the lender was enticing the LO to place the borrower in that product by offering great pricing. A perfect example is Washington Mutual's Option Arm product back in 2003-2006. Not only could the loan originator charge a percentage point or two
on the Good Faith Estimate to be rolled into the loan amount and paid to the LO by the borrower, Washington Mutual was making darn sure the LO was picking that product by paying anywhere from 3% to 4% of the loan amount. On top of which borrowers did not have to prove that they had a job or that they had assets! Much of the time, the LO was NOT attempting to be predatory, it happened in the fact that they were not required to get the proper information from the borrower to ensure it was a 'good match'. Plus who cared, LO's were making +$10,000.00 on one deal alone! This was before most states put a CAP on the amount of compensation or number of percentage points a LO could charge. It was predatory lending all over the place! Another example was the 'sub prime lending'. This is when I quit the business in 2003 for a few years. How could this type of lending EVER become mainstream? Let's take a consumer who has a very low credit score de to the fact that they rarely pay their
bills on time. Let's put them in a 2 year ARM at 90% Loan to Value (LTV) and expect that consumer to suddenly 'turn over a new leaf' and start paying their mortgage on time. Oh, and if they happen to pay for the two years the loan was fixed, their rate then jumps to an adjustable rate and the borrower can not afford to make that payment! And now consumers are blaming the mortgage industry for this issue. EVERYONE, the public, the regulators, the government, the lenders, the loan originators AND the consumers, is to blame for that debacle. This issue of compensation is not easy to tackle. Of course, as a LO, I have mixed feelings. I own a branch of a small 'correspondent lending

institution' that is incorporated and also FHA Licensed. I like it because we produce the entire loan in-house. All departments work together to get the loan prepared properly and get it closed for the client. We have complete access to the underwriters and the closing department. When we have questions, we can call the owner who is extremely hands on and knows all of the products inside and out AND he knows all of the new changes, which there are constant updates. We do refinances for borrowers who are turned away from their current 'big bank' lender, such as Bank of America. The reason for this is that quite frankly, they don't have the man power! I know consumers that waited 2-3 months to complete a refinance through these large banking institutions! Also, they are so busy, they neglect call their client/borrower regularly to keep them informed as to where they are in the process. This is very infuriating to the client; I trust you would want to be communicated with regularly in regard to your important investment! In our office, every client is spoken to at LEAST every other day. We can refinance a client in 2 to 3 weeks if they are organized and have their documents ready upon request. We keep the client informed EVERY step of the way. EVERYONE IS HAPPY IN THE END! I get the feeling that our type of company is getting pushed out; to be eventually eliminated. THAT IS A HUGE MISTAKE and it would definitely hurt the Mortgage Industry as a whole. It is already in so much turmoil, a change like that could be devastating. What you are missing is that, WE (the smaller lending institutions) do a MUCH BETTER Job with our clients than many (not all) of the large banking institutions. They are too big to care for the client on an individual basis. They are too busy to take the time to communicate. They are to busy to get the loans processed in a reasonable amount of time. Those of us that work in the smaller lender companies enjoy what we do! We work very hard as a small business to be successful! I DO NOT WANT TO WORK FOR A BIG BANK! I AM A SUCCESSFUL SMALL BUSINESS! ISN'T THAT WHAT WE ARE TRYING TO PROTECT IN THIS COUNTY, THE SMALL BUSINESS???? Let's not leave that out of the equation! These are businesses that support owners' families and employees and their families! I SHOULD BE COMPENSATED FOR MY SERVICE. This is not an easy business. I am sure you all have gone through several mortgage transactions in your life. Do you remember how it felt when you were giving ALL of your personal information to the loan originator? My fear is that if you start messing with the YSP, our compensation, without a PLAN for a NEW COMPENSATION PROGRAM, my CORPORATION and its 20+ BRANCHES including MY OFFICE WILL BE OUT OF BUSINESS. ALL THAT WILL BE LEFT ARE THE BIG BANKS. People are tired of the big bank treatment! The consumer study proved all of what I mentioned above to be their opinion. They stated it, paraphrasing: "Although a broker may be more expensive, they have more of the consumer's best interest in mind." The proposed provision to 'prohibit YSP' was WITHDRAWN! Now you bring it up again AND NOW include the big banks?! In closing, THERE ARE A LOT MORE ISSUES IN THIS INDUSTRY THAT NEED ADDRESSING FOR IT TO BE A BETTER, FRIENDLIER, MORE PROFESSIONAL AND TRUSTED INDUSTRY. Get off the YSP issue and start focusing on the issues that will really help the consumer AND keep these small businesses alive and thriving!! Those of us that are left in this INDUSTRY are the passionate and the promising future! Give us a chance by helping us, not cutting off our compensation for the very important work we do and the service we provide our clients & their families.