

From: Leo Mortgage, Inc., Jerome Scarpello
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Comments:

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Name: Jerome Scarpello
Affiliation: Leo Mortgage, Inc
Category of Affiliation: Other
Address: 921-A Bethlehem Pike Suite 208

City: Ambler
State: PA
Country: UNITED STATES
Zip: 19002
PostalCode:

Comments:

I have been in the mortgage lending industry for over 22 years. I'm a member of the Montgomery County Partners for home ownership since its inception in 1987. I've been the chairman of the Affordable Housing Committee with the local Realtor group. I have conducted home-buyer seminars to industry professionals as well as the general public. I been an exhibitor at the annual housing fair each year for the past 20 years. I've have been recognized on numerous occassions for my dedication to service to the home-buying public and the lending profession. I am a Mortgage Broker, own my own company and employ ten people. Before I became a broker, I worked as a loan originator for a banker. We used to bad-mouth brokers. But after becoming one, I can tell you that I have no trouble sleeping at night. My company provides Conventional, FHA, VA and PHFA mortgage loans thru our approved lenders. We compete in a market were most real estate firms have their own in-house lenders. We survive because we are able to offer borrowers better lending choices. Because we are a small business we are able to work on smaller margins and pass the savings to the borrower. The Fed's proposed amendments are both good and bad. Yes, consumers should be specifically aware if their loan is an ARM, has a pre-payment penalty or negative amortization. In fact, the Pennsylvania Department of Banking has created a disclosure specifically spelling out these facts. No loan may close unless the borrower specifically acknowledges these facts. All these actions were good. But the elimination of the Mortgage Broker to be paid Yeild-spread premium is a bad idea. It would be impossible to explain all that the job of a professional Mortgage Broker entails in this comment but I would be happy to appear before the Fed and tell you in person. The yeild-spread premium allows the broker to offer the consumer better borrowing options by having the "profit" or margin built into the interest rate they ultimately choose. The yeild spread is disclosed to the borrower up-front, so

that the buyer is able to make better choices for the use of their money. "Profit" - in this case yeild spread - is not a dirty work. The goal of any business is to profit and the mortgage brokerage industry is the only one I am aware of that must disclose the amount the will earn on the product to the consumer. Having said that - we do - and will continue to do so with the continued regualatory requirements put upon us. But the idea that yeild spread causes lenders to "steer" consumers to more expensive loans is one that someone not familiar with the industry may come up with. Yes, higher rates may result in higher yeild spread - but this is no different than higher priced items resulting in higher profit to the seller. The market will dictate the fair-market price of any item from a mortgage to a hamburger. Yes, the consumer holds some responsibility to assure themselves they are getting a good value for the cost - and that is why it is so difficult to express to you in this forum the value of a mortgage professional. I can site many examples where a borrower has gone to a competitor for a lower rate - only to come back to me when the other lender was unable to deliver the loan as promised. The "steering" fear may have surfaced from lenders- Countrywide is one - that paid more to originators to sell "option ARMs" - or other risky loans. Those originators were driven simply by greed - where a mortgage professional understands the value of life-time customers and the referrals they lead to. Those risky ARMs, Negative amorizing loans and pre-payment loans are no longer available. They went with the risky Wall Street firms that created them. What is left are plain, amortizing loans and the professionals that offer them. Eliminating the Yeild-spread will result in higher costs to the consumers as originators will be forced to increase their fees to earn their profit. In addition, it will give the consumer less choice - as many origators will be forced to close their doors - and lay off their employees - due to the loss of the competitive nature yeild-spread brings to the business. In a time such as this, when there has been a globel economic down-turn - shouldn't we be looking for ways to help consumers lower their costs rather than raise them? And shouldn't we, as a profession recognize the trickle-down effect of a person buying a home? Carpenters, GE appliance makers, plumbers, electricians, Realtors and yes mortgage people are employed when a home sells. The Fed's proposals are good and bad; the highlighting of potentially risky loans is good, the elimination of yeild-spread is bad. Thank you for your time. Jerome Scarpello