

From: AccessBanc Mortgage, Brian D Fox
Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Brian D Fox
Affiliation: AccessBanc Mortgage
Category of Affiliation:
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Dear Chairman Bernanke, I am a loan officer working for a small mortgage broker in San Jose, CA. My broker very effectively manages this small brokerage in a way that is ethical, honest, transparent and fair to all consumers who apply for loans with us. One of the main reasons our small brokerage has survived is because of the company's reputation in the market place for honesty, integrity, and fairness. These new regulations being proposed, Regulation Z - Truth in Lending - Closed-end Mortgages, will devastate the mortgage market for small mortgage brokers and consumers. The regulations being proposed are simply government mandates and price controls. Government mandates simply make it tougher for mortgage companies to provide their services by putting restrictions and additional guidelines in place. These restrictions and additional guidelines increase the cost of doing business. If these costs can not be passed on to the consumer, small brokers will go out of business. Putting price controls in place will simply lead to rationing. That is what happens whenever price controls are put in place in any free market. If the price of a product or service remains constant there is less incentive for the producers, or mortgage brokers, to produce more of the service or product. This leads to shortages. And again, it will hurt the smaller brokerage firms the most. This will lead to a mortgage market where a few large banks will basically have an oligopoly on the market. The reason that our country is in the financial crisis it is in, is because of laws that have been put into play by the US Government. I will summarize them here. In 1977, Congress enacted the Community Reinvestment Act. This legislation affirmed that banks have duty to lend in the communities in which they operate, especially low income borrowers. In 1995, the Clinton administration used the guidelines and regulations to approve bank mergers and acquisitions. The congress aligned itself with such groups as Association of Community Organizations for Reform Now and the Neighborhood Assistance Corporation of America, which were far left

extremist groups that essentially applied pressure against the banks through law suits and other means to make mortgage loans to low income people who were not qualified. In 1992, the Department of Housing and Urban Development pressured Freddie Mac and Fannie Mae to purchase and securitize large bundles of loans for the conflicting purposes of diversifying risk and making even more money available for these risky loans, also know as sub-prime loans. In the 1990's and into 2005, as the banks tryed to digest all these bad, high risk loans, they decided to try and protect themselves from risk by using derivatives. Derivatives allowed commercial and investment banks, individual companies, and private investors to further spread - and ultimately multiply - the risk associated with their mortgages. Finally, the role of the Federal Reserve in the housing bust can not be overstated. Interest rates were at a low of 1.0% in June 2003. When the easy money policy became too inflationary, the Fed began to raise rates in June 2004. This easy money policy pumped billions of dollars into the real estate market during this time frame. This manipulation of the housing market interfered with the normal operation of market conditions and contributed to destabilizing the economy. This was essentially a house of cards that had been building for years. As we all know, the house of cards came crashing down in 2008. All of these events were caused by the Federal Government, congress, and far left activist groups such as ACORN. None of these problems were caused by mortgage brokers. So there is no need to enact these draconian regulations that will be damaging to mortgage brokers, especially small mortgage brokers. In addition, this will adversely effect first time homebuyers. With a flat fee, there will be very little incentive for brokers to extend loans to first time home buyers that usually require a lot more work and are riskier loans. I hope you will not enact these very draconian regulations. Thank you for your time. Best Regards, Brian Fox