From: Stephanie K Morgan

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Stephanie Morgan 2797 Morning Moon New Braunfels, TX 78132 830-481-0299 Sm78132@gmail.com December 23, 2009 Board of Governors of the Federal Reserve RE: Docket No. OP-1374 Dear Board of Governors, I am writing this letter in reference to the proposed banking and mortgage industry compensation proposal. I am requesting that you strongly consider the ramifications on the professionals that are employed in the banking and mortgage industry and more importantly, the consumer. By removing the incentive compensation from a loan originator, you are removing the motivation for a loan officer to perform his or her duties for the client in a fast, streamlined, and professional manner. My biggest fear is that we will end up with "order takers" performing loan applications with consumers similar to a 1-800 number whereby the client is given no real education on the loan options available to them and no insight as to why they would choose one loan option over another. This ultimately places them in a bad position over the long run and potentially costs them more money via interest or fees. I have already seen this happen with some large companies who you undoubtedly are very familiar with in my industry. I have had many clients call me after speaking to one of their salaried originators stating that every time they called, they received a different answer to a simple question. In many cases, this would have cost the client dearly. I agree that there were a large percentage of originators out there placing borrowers in subprime loans that were not deserving of such a loan and had much better options that were never offered. Fortunately, I chose a line of business 17 years ago that was derived of more than 90% government loans. Only 2% of my business was subprime and that was only because the loan didn't fit within a FHA, VA, or Conforming Conventional box of underwriting guidelines. The borrowers that I have seen in subprime loan (originated by another loan officer) were typically placed there simply because the mortgage lender or broker didn't have any other loan options available to them. For example:

placed into a subprime loan because they couldn't offer the FHA loan since their company wasn't HUD approved. I have always felt, even in subprime's height of industry popularity that the borrower should have been told by the originator, "there are other loan programs out there that we simply cannot offer by my company". This would have given the consumer the opportunity to research it for themselves. Loan officers take the application, compile the data, analyze the client's options and make recommendations. We work closely with the processor who works closely with the underwriter who is ultimately signing off on that loan. We, loan officers, have no lending authority and I strongly believe for the industry's sake this is a good thing. However, because we do not have lending authority, how are we to be held responsible for the clients lack of on time payment? My company takes a simple approach to this issue: if there is an Early Payment Default within a specified time the loan officer's commission is deducted from their next check. It certainly does motivate us to insure the consumer understands their due date of their monthly payment and the possible hit to their credit report if the payment is late. I feel very strongly that the major issue in the mortgage lending industry today is the lack of professional individuals within the industry. There have been no real barriers to entry within the industry, no real education requirements and no accountability. I earned my Economics Degree from Texas A• University in 1991 and immediately started working in the mortgage industry. During my 18 year mortgage career I have taken continuing education to keep my knowledge fresh and to show my client base that I am a professional who takes my career and their home loan seriously. I have always priced my loans fairly, for the amount of work I had to put into the loan, earning less on loans that took less time and effort and more on those that were more difficult and time consuming. I have clients who have referred their friends and family and have also returned to me for additional home loans. I would not have had this following by if I did not treat my clients fairly and provide their loan at a reasonable price. I would strongly urge the Federal Reserve Board consider requirements such as education, certification, continuing education and much stronger licensing before compensation limitations are placed on mortgage loan originators. If this Board takes such action as commission limitations we will see very good industry professionals exit the industry and enter another which allows commissions to be paid. The majority still left in the mortgage industry are strong, dedicated, hard working people that serve their clients well. Thus if compensation is limited to a salary only, wewill see the order takers responsible for guiding consumers into the largest debt of their life. As a home loan consumer myself, this proposition scares me. Respectfully submitted,
Stephanie Morgan