From: Karen Gilliam-Newman

Subject: Reg Z - Truth in Lending

Comments:

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December 24, 2009 Jennifer J. Johnson Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20511 Re: Proposed Changes to Closed-End Mortgage Rules (Docket No. R-1366) Dear Sir or Madam: Thank you for the opportunity to comment on the proposed rule amending Regulation Z with respect to closed-end mortgages. I am a loan originator working in Houston, Texas. I have worked in the industry as an originator for the past 14 years. My primary area of focus is and always has been affordable housing working with local and state downpayment assistance programs to assist low to moderate income borrowers in purchasing a home. I participate and conduct homebuyer classes for many of the local non-profit organizations that provide these services in an effort to educate borrowers on available financing options and the overall mortgage process. Having witnessed first-hand the subprime mortgage meltdown, I agree that additional consumer protections in the residential mortgage loan process are needed. However, I have some concerns with the proposals regarding loan originator compensation. If these regulations are implemented, the outcome may be very devastating for small to mid-sized lending institutions and affect our ability to compete in this market. Our customers often present unique or complex circumstances that make processing their loan applications time consuming and difficult. There is a great deal of time spent on these applications to ensure that they get the extra attention they need and to make certain the application process goes smoothly for our customers. This level of attention is often not available at large national lending institutions that take a more "one size fits all" approach and focus solely on volume and production. More specifically, in the area of affordable housing, many lenders often will overlook this book of business because of all of the extra time and effort that it takes to make these deals work. My primary concern is not only loan officer compensation, but the impact that this ruling will have on the low to moderate income borrower. It will cause more loans to be rejected because of the lenders not wanting to put in the extra time and effort that it will take to get the deals approved and subsequently to closing - or, loan officers unwilling to even take on these more complex loan applications. Also, we often use premium pricing to offset total out of pocket expenses for these borrowers who often would prefer to pay a somewhat higher interest rate rather than come up with the additional funds out of pocket - often, funds that they do not have. The issues we are experiencing in this industry are not with foreclosures at the "low-to-moderate" income level but most often was a direct result of "creative financing" loan products which offered features to allow less than qualified borrowers to get approved for higher loan amounts than they could actually afford. The "subprime" market products have already been eliminated. HUD has changed the qualifying guidelines for FHA loans which call for higher credit scores and borrower cash investment so FHA is no longer "the new subprime". There should be some level of consistency in the fees charged and I also agree that there has to be some level of regulation for the sake of fair lending. However, this type of ruling will not yield the results that we need to stimulate our economy and continue to encourage homeownership in under developed areas. Additionally, the lender fees on affordable housing products are regulated by the downpayment assistance program guidelines which propose limits to the amounts of lender fees and interest rates that can be charged to the borrower. Once again, this ruling is just another example of the good having to suffer because of poor choices made by a select few - most of whom have already been forced to make other career choices outside of this industry.

The new SAFE Act requirements for loan originators, including extensive background checks and rigorous testing and continuing education requirements will significantly curb the past abuses that precipitated this proposal. The Board should wait to allow the SAFE Act a chance to work before piling on additional and burdensome regulation on loan originators. Once again, thank you for the opportunity to comment on the proposed rule. Respectfully submitted,
Karen Gilliam-Newman NMLS #178283