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Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comment on Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages [R-1366] This proposal does not acknowledge that neither a YSP or a SRP is paid to a loan originator, YSP/SRP are paid to the companies that are either a Bank, Mortgage Bank, Mortgage Brokerage, Credit Union, etc.. Here is a perfect indication of FRB's fatal misunderstanding in attempts to create regulations that FRB does not even understand the market place (in FRB's own language: [Prohibit payments to a mortgage broker or a loan officer that are based on the loan's interest rate or other terms; and Prohibit a mortgage broker or loan officer from "steering" consumers to transactions that are not in their interest in order to increase the mortgage broker's or loan officer's compensation] It is critical that FRB understands the difference between a loan originator (individual) and a company (Bank, Mortgage Bank, Mortgage Brokerage, Credit Union, etc...) that employ loan originators as well as processors, underwriters, closers, secondary marketers, human resource, compliance, etc... The role of a loan originator when advising a consumer on home financing options is to listen to consumers' goals and explain loan programs and the associated product features & disclosures, trade offs between risk & benefits, underwriting guidelines, interest rates, funds needed for closing and reserves, collect intial information for completing mortgage application, process for submitting applications, potential underwriting results, and closing procedures. All of this must be done in conformance with all laws & regulations including Equal Credit Opportunity Act, which does not allow a loan originator to decline to take an application because he or she feels the consumer should not have a loan that they request to make an application for. NOWHERE does a loan originator make a decsion to approve or deny a loan application based upon the program underwriting guidelines created by Risk Management

Departments. The approval or denial of applicants qualifications for their choosen loan applied for is done by underwriters. The FRB's unsubstantiated claim that loan originators by nature of being paid a commission that is derived from the value of the products the companies they work for place on a loan, is an unacceptable method of remuneration is stark contrast to the laws of the United States of America. The United States of America laws and regulations do not dictate Central Planning Government controls on employee compensation for the many different free market businesses' product & services offered to individuals, businesses, organizations, etc.. This has been the choice of citizens in the United States, for they prefer the freedom to have access to many different options of service. Consumers have a long successful history in the United States of choosing the level of service and compensation they are willing to pay a company for the service. The United States companies have a long successful history of the level of service and compensation they chose for their employees. The FRB is no smarter than the United States citizens or businesses in understanding the unique circumstance that each must make their choices from the real world environment they living.   This is clearly indicated by a very simple misunderstanding of the difference between a loan originator and the company they work for (Bank, Mortgage Bank, Mortgage Brokerage, Credit Union, etc..). For the FRB to call a Mortgage Broker a loan originator is clear indication they do not have a sufficient knowledge on an area they are attempting micro-manage and will have the unintended consequence of an anti-consumer choice regulation. For the FRB to regulate a YSP as a compensation to a loan originator further indicates the lack of knowledge of the market place they are attempting to over regulate without concern of the unintended consequences of a anti-consumer choice regulation. In the best interest of the consumer choice, the FRB must abandon its pursuit of eliminating YSP's. As well, the FRB must abandon its pursuit of micro-managing the compensation of service providers' loan originators. The mortgage market is an extremely competitive market place in the origination front, representing the best that the United States has to offer; that is the brilliance of the free market and the consumer choice it serves. Nowhere does the FRB present empirical data that the housing finance crisis is the result of either YSP or loan officer compensation relating to steering consumers into failed loans.
EMPRICAL DATA INDICATES THE MAJORITY OF LOANS DO PERFORM VERY WELL EVEN IN DISTRESS MARKETS, LOANS THAT WERE ORIGINATED BY LOAN OFFICERS THAT WERE PAID
BASED UPON INTEREST RATES OR OTHER TERMS AND LOANS WITH YSP'S.   Overwhelming data indicates that the Federal government's elimination of Glass-Steagall opened the door to Wall Street (not any of the trditional sources of home loans) creating loans for high risk consumers which once created had to be offered to all consumers due to Equal Credit Opportunity Act. Had Wall Street not created these loans, underwriters (Banks, Mortgage Banks, Mortgage Brokerages, Credit Unions, etc.) would not have had guidelines which would allow these high risk consumers to have been approved. The FRB must immediately seize any attempts to remove areas of home financing that have been in the home finance market place during the many successful decades of homeownership finance. In the best interest of consumers and the United States of America, they must acknowledge the true cause of the home finance crisis; the creation of home loans for high risk consumers by removing Glass-Steagall.