

From: PrimeLending, Mark E. Birtles  
Subject: Reg Z - Truth in Lending

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Comments:

Date: Dec 23, 2009

Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
Document ID: R-1366  
Document Version: 1  
Release Date: 07/23/2009  
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Comments:

December 23, 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 Ms. Johnson, I appreciate the opportunity to comment on the proposed rule amending Regulation Z with respect to closed-end mortgages. For the past 31 years I have been involved in the Louisville real estate and mortgage lending industry, with the last 19 years devoted to A-paper mortgage origination. Though not personally involved in writing these loans, I witnessed the collapse of the subprime mortgage market and agree that additional consumer protections are needed. However, I am concerned regarding the referenced proposal as it relates to the regulation of loan originator compensation. I work for a small to mid-sized lending institution. My clients often come to me with difficult and complex circumstances that require additional expertise and render their loan files time consuming to process. I spend a great deal of time on these to make sure the process goes smoothly. My experience, derived from time spent with six different lending firms, is that this level of attention is often not available through the large national lenders, many of which take a more highly structured and production-oriented approach focused mainly on volume. In order for the loan officer to receive fair compensation for the extra time and expertise these loans require, we sometimes need to charge the customer a higher fee or a higher rate. Often the borrower will prefer to pay a higher rate, either because they do not have additional funds to bring to closing or they are already at the maximum loan to value limit. If the proposed rule prevents my employer from paying adequate, reasonable compensation for these loans, it will serve as a powerful dis-incentive for loan officers to take on the more complex loan applications. Instead, in the interest of providing for their own families, the regulation will serve to direct their focus toward straight-forward, conventional clients whose applications are easier and less time consuming. One obvious consequence will be a greater

degree of difficulty for many deserving but problematic consumers in the mortgage lending process, particularly those in underserved communities and/or small business owners. If the Board adopts the proposed restrictions on loan originator compensation, the limits should apply only to the riskier products that were at the heart of the subprime meltdown. Because conventional, FHA and VA loans do not present the same potential for abuse, the Board should exempt these transactions and allow for pricing discretion. Also, the new SAFE Act requirements for loan originators, including extensive background checks and rigorous testing and continuing education will significantly curb the past abuses that precipitated this proposal. The Board should wait to allow the SAFE Act a chance to work before implementing burdensome regulation that would serve to disproportionately restrict access to mortgage services nationwide.

Respectfully submitted, Mark Birtles Sr. Loan Officer