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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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Guarantee Mortgage Corp. 636 Fourth Street San Francisco, CA 94112 December 18, 2009 Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, N.W. Washington, DC 20551 Re: Federal Register/ Volume 74, No. 164/ Wednesday, August 26, 2009/ §226.36. Proposed Rule Prohibiting Acts or Practices in Connection With Credit Secured by Real Property or a Consumer's Dwelling To the Distinguished Governors of the Federal Reserve, I am a Senior Mortgage Advisor with Guarantee Mortgage and I have worked as a Senior Loan Officer for the past 17 years. My goal is to obtain financing for my clients at the very best terms possible. My competition is the banks, and I need to compete on a level playing field with them. I need to provide the same products at a lower cost to my clients or I will not be in business much longer. I enjoy being able to compete, but it's crucial that the system be fair to all, so that I can get lower rates and lower closing costs for my clients. This letter is provided as comment to the proposed rule referenced above by the Board of Governors of the Federal Reserve System ("the Board"). The proposed rule would prohibit a creditor or other party from paying compensation to a Loan Originator based on the credit transaction's terms or conditions. I am an employee of Guarantee Mortgage Corp. ("GMC"), a mortgage broker founded in 2003 and based in Larkspur, California. GMC employs approximately 225 mortgage professionals and will produce in excess of $2 Billion of first mortgage loan transactions in 2009. I commend the Board for your efforts to protect consumers from being steered into unwarranted higher cost mortgages and I share in that objective. However, I am concerned that the proposed rule will have several unintended consequences that will in fact harm consumers, particularly low to moderate income mortgage loan borrowers. By requiring creditors to compensate Loan Originators based on a flat fee, it will create a large pricing disparity between those consumers who borrow smaller amounts of money versus those borrowing larger amounts. For example, if a Loan Originator's flat compensation is $1,500 a consumer borrowing $50,000 will have to be charged 3.00% of the loan amount to cover the fixed cost of sales compensation versus only 0.375% for a consumer borrowing

$400,000. As a result, lower to moderate income consumers who typically borrow less money will be disadvantaged as a result of the proposed rule. Additionally, creditors may be forced to defend themselves against claims of disparate impact due to large pricing differences based upon loan amounts. I am also concerned that the proposed rule will cause the cost of obtaining a mortgage loan to increase for all consumers.   Due to the competitive nature of the free market, a consumer will from time to time require a discount to the published rate of the creditor in order to retain the consumer's business. If creditors are unable to adjust the fixed sales costs in a transaction in order to provide discounts from time to time, the creditor will be forced to increase the price for all consumers. Only those consumers who ask for a discount will receive one. Another serious concern of the proposed rule is that it will likely create an opportunity for very large creditors to "buy" the market for an extended period of time in order to drive moderate to smaller size creditors out of the industry. As a result, there will be far less competition for a consumer's loan and ultimately only the largest creditors remaining can and will increase prices to consumers. Finally, I believe that it would be nearly impossible for the Board to effectively regulate the proposed rule and therefore those creditors or persons who would violate the rule will go undiscovered and unpunished. In the meantime, the honest and ethical creditors such as GMC will comply, be at a competitive disadvantage and be forced to charge consumers prices higher than necessary. Again, I would like to thank the Board for your efforts to protect consumers from being steered into unwarranted higher cost mortgages. I would also encourage the Board to work with mortgage industry groups such as the Community Mortgage Banking Project to develop a solution that will achieve the Board's intended objectives with the proposed rule, while eliminating the unintended consequences previously mentioned. Very truly yours, Natasha Lovas Senior Mortgage Advisor