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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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I am writing in opposition of the proposed Regulation Z Truth-In-Lending reform as it is currently written. PROBLEM: The Proposed Rule, as written with regards to restrictions on compensation, will require consumers to pay for services rendered in connection with obtaining a loan either all up front or all on the back end through the rate. This will severely limit a consumer's choice in deciding how to finance a mortgage loan and eliminate their ability to choose to finance only some or all of their costs. It will severely impact those consumers who cannot afford it the most, those who are applying for a smaller mortgage loan. A flat fee will need to be adjusted by an increased rate. Those applying for a larger loan will benefit by way of a decreased rate to achieve the flat fee. (Secondary market pricing will dictate what rate is necessary to calculate flat fee compensation to the originator). Unscrupulous originators will shop the loan in search of the lender paying the highest flat fee without regard to the consumer as it pertains to rates and fees. The Board fails to recognize the potential consequences that have arisen through requirements and limitations proposed in the rule, specifically, unintended consequences that will hinder a consumers' right to decide the most suitable way to buy a home. The proposed rule will remove interim rate financing options for consumers, potentially limiting their ability to obtain loans or forcing them to take on more debt over time. For example, if a consumer desires (or is required in order to qualify) to pay some up front fees to reduce the overall costs to be financed over the life of the loan and hence partially reduce their monthly payment (as opposed to financing any costs through the rate); they would not be allowed to do so. Instead, if they do not have enough cash to cover all of the costs up front, (or simply want to preserve some cash on hand), their only choice would be to finance all of the costs through the back end at a higher interest rate, higher payment and overall higher debt.