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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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Comments:

I am writing to comment on the rules proposed by the Federal Reserve Board to revise Regulation Z (R 1366). The proposed regulation states that: "Our goal is to ensure that consumers receive the information they need" to select the best mortgage for their situation. It goes on to indicate that "to prevent mortgage loan originators from "steering" consumers to more expensive loans, the Board's proposal would: 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." I don't believe that these changes will achieve the goal of eliminating unethical behavior and illegal activities that harm mortgage consumers, nor make it a better environment for them to make a decision about selecting their mortgage. It appears that the Board is not aware of or is ignoring negative impact the rules will have. I believe that implementation of the rules as proposed would have a devastating impact to the ability of consumers to obtain low cost mortgages. It will in all likelihood eliminate the broker channel of mortgage originations and remove the consumer's choice to work with independent small businesses in the origination of their mortgages. The consumers' only choice for mortgage origination will be to use those "too big to fail" banks that are slow, cumbersome and have high overhead. Reduced competition will increase costs and lengthen the time it takes to complete a transaction. I have originated loans as a broker for 10 years. I have worked with hundreds of consumers to help them finance the purchase and refinancing of residences in New Mexico. Since I opened Perennial Mortgage, Inc. in 2002, we have collected testimonials from our customers expressing their thanks and appreciation for the work we do (see <http://www.perennial-mortgage.com/testimonial.htm>). As a broker we provide competitive interest rates and fees and exceptional customer service. Eliminating yield spread premium will prevent consumers from achieving their goals of obtaining mortgages without paying points or origination fees. There are existing rules

in place under TILA and RESPA, yet rarely enforced, to address many of the concerns of the Board. The alteration of allowable loan originator compensation under these rules will not achieve your goal of consumer protection. They will be a disservice to the professional loan originators in this nation and to consumers.