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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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Re: Regulation Z - Truth in Lending - Closed-end Mortgages [R-1366] Dear Sirs/Madams: I am a mortgage broker from the San Francisco Bay Area. I have been in the lending industry for 4 years but investing in real estate for over 20 years. My career began because I was tired of being taken advantage of so many times by big banks. I knew there had to be a better way, a way to get a loan without being reduced to a number and without becoming a product of a production line mentality. I discovered the mortgage broker. After many years of dealing with mortgage brokers, having them explain all of the details of the loans they were recommending, and shopping for me to get me the best rates/products, and representing ME, I decided that it might be a rewarding profession. Well I was right!!! A mortgage broker's business is built on referrals and is sustained by referrals. The majority of mortgage brokers who are left actually take pride in serving our clients and if we don't, we won't have clients for long. We take pride in getting the best product for each specific situation, and getting the best deals, and representing our clients. As I hope you know, we are not order takers. We do not process people. We listen and analyze and guide. We work for our clients!!! I, like you, am disgusted by what happened to so many consumers at the hands of greedy, dishonest lenders and loan officers; however the proposed changes could very well be further harmful to the consumer who you are attempting to protect.

1. The elimination of YSP. A. No originator would be compensated based on loan terms (interest rate, loan amount, margin, prepay penalty). Will Realtors commission structure be revised as well? Their compensation is based on the sale price of a home. Stock brokers are compensated based on the trade amount and insurance brokers are compensated on the premium paid for the policy. B. No cost loans would be nearly impossible. C. Borrower closing costs would be dramatically higher, eliminating rate/price flexibility, more opportunity for secondary marketing to increase bank profits. D. Many first-time buyers would be eliminated due to high closing costs. E. Mortgage brokers provide the only opportunity for competition with the banks. This keeps the banks somewhat honest. If YSP is eliminated more power and more profit would be given to the

banks. They created this mess. Why should they be given more control? F. YSP does not present a significant risk of economic injury to consumers but rather helps low-income, entry-level borrowers. The assumption that YSP is injurious to consumers has no empirical data to support such claims. 2. Borrower pays up-front points OR lender pays flat fee to originator. A. Reduces options for consumer to choose pricing options. Borrowers are injured by lack of pricing flexibility. B. Originator would be encouraged to steer loan to lender with higher flat fee. C. Consumers would be further confused by non disclosed "private" compensation agreements between lenders and originators. 3. Borrowers with small loans would be discriminated against. A. Closing costs to borrowers for small loans would be so high; lenders would be discouraged from lending. As it stands loan amounts less than \$100k are forced to pay a premium via an add to fee simply because smaller loans have a lesser return on investment. B. Small loan amounts would most likely be eligible for up-front origination points options only. C. Low income borrowers who can only qualify for small loans would be priced out of the market or severely penalized by high costs. 4. The proposal will stifle competition. A. The proposal creates conditions that would encourage steering. B. Enforcement of existing anti-steering regulations would be difficult or impossible to enforce. C. The proposal does not allow loan originators to reduce his/her compensation, to benefit hard-pressed borrowers. D. The proposal will damage small business. The proposed changes to Reg Z will have a negative impact on the consumer. As I am sure you are aware, only one of three residential real estate loans that are applied for today are being made. This is a travesty. Thankfully, the sleazy mortgage professionals who created this mess have long since left the business. Please do not punish those of us who want nothing more than to help the consumer. And please do not give more power and profit to the banks. They are the ones who create the loan products that got us into this mess to begin with. We need to get back to lending and we need to bring common sense back to the industry. Thank you for your time.