From: Southern Home Mortgage, Marla Loggins

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Name: Marla Loggins
Affiliation: Southern Home Mortgage
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Dear Sirs, I am a small broker in Northeast Georgia employing 3 loan officers and a processor. I have always run a very clean business, compliance, customer service and community involvement have always been of utmost importance. I have concerns in regard to the reforms proposed in the publication referenced above. While I wholeheartedly agree that better protecting the consumer is most important, I feel that much of your proposal is too far reaching. Regulation is important to ensure that everyone follows the rules, however as a small business owner and entrepenuer, the free market is so important to the survival of our country and our industry. Enforcement of most of the rules already in place would be sufficient. It is my belief that many of the issues that began the current financial crisis have already been corrected, by the fair market. There are no more sub-prime, no documentation, high LTV loans available any longer. The mortgage insurance industry and the implementation of HVCC have so far restricted the fannie/freddie business that we've seen a huge drop in conventional business. We have to trust the fair market to correct the major issues and do our best to protect the consumers. That being said, the following are the issues I have with the proposal. 1. disclosures at application: We need to be sure there is uniformity in timing of disclosures. It makes sense that all early disclosures be given at the same time, at the time of application or at the collection of any non-refundable fee rather than a vauge requirement of "before the consumer applies for a loan" 2. revised APR calculation: I work in a market that readily serves lower income (lower loan amounts) borrowers, and have never refused to find a loan for a homeowner/buyer based on the size of the loan. However, there are a great many brokers that will not deal with consumers unless the loan amount meets a minimum threshhold due to the current limitations on income produced from those loans. Additionally a great many lenders have minimum loan amounts, and large interest rate adjustments for smaller loan amounts due to the limitations on their

income produced from these loans. If additional fees are added to the APR calculation, many more loans will be considered high cost (I believe your estimate of .6 is grossly understated especially in rural Georgia), more and more brokers and lenders will be unable to do loans for small amounts and the lower income population will go from being under-served to being not served at all. 3. disclosures required 3 days after application and 3 before consumation: Please work together with HUD to manage uniformity in the disclosure process and eliminate duplications. The new TILA regulations that became effective July 30, 2009 make it impossible for a consumer to get to closing and have a change in the material terms/costs or APR of their loan that they were unaware of. Additionally, the RESPA changes that are going to be effective next month serve the same purpose. Please do not make another duplication for the same purpose. Consumers are so frustrated with having to sign a form and wait three days before we can order their appraisal and get the process started, only to have to sign another form to wait three more days to close, or sign another form and wait three days from receipt of the appraisal to be able to close. Purchasers are paying penalties for not getting closed within contract dates, borrowers are having to pay late fees on loans being paid off through refinance. I believe the established tolerances set forth in the TILA regulations are adequate to make sure that consumers are protected. Also, I would suggest that Regulation Z be revised to state that any over disclosure of the APR will constitute a permitted tolerance so that if a consumer is getting a BETTER deal than they originally were disclosed, they don't get penalized by having to sign a redisclosure and wait three days to close. 4. loan originator compensation: Of greatest concern is the compensation issue. In no other industry in this country are sales persons, insurance agents, realtors, stock brokers, or anyone else paid on commission on a performance basis regulated in the amount they are allowed to earn per transaction. The yield spread premium is a much misunderstood and much maligned animal that really isn't as evil as it's been made out to be. When a borrower comes to me, and I determine what type loan program is going to fit their needs, and then determine the rate to offer them, I will then shop lenders to determine which lender is paying the best yeild for the rate I'm looking for. I'm not going to take a qualified borrower and stick them with a higher rate than they could have gotten elsewhere just so I can line my pocket. We as brokers are required to disclose every penny in yeild, and have been doing so for quite some time. We are also in a very competetive market, andI can't offer a borrower a higher rate than he could obtain at one of my competitors just so I can make extra money on it. That's not the way the FAIR market works! Additionally, the purpose of yeild spread premiums is to give consumers a choice. They can choose a low rate with standard closing costs, or they can choose a higher rate with fewer or no fees becuase I have the ability to negotiate since I have yeild spread to consider as well. Without the yield, there are no more options for consumers, they will take the rate that's offered and the fees that are offered, or not. We would not have the ability to custom tailor the loan to meet thier specific needs. The variance in originator compensation also offers a reward to the originator for working those really tough deals that you may spend a year counseling someone on how to clean up their credit so they can buy a house down the road. If we are limited to only making a set flat fee on each loan, there is no more incentive to go the extra mile for a consumer that really needs it. Many, many experienced and honest loan officers will be driven out of the industry for good if their income becomes limited. We can all go work for someone else for a set rate of pay, the purpose for what we do is that we are rewarded for hard, honest work and getting the job done. If you eliminate a large number of good loan officers, and close up shop for thousands of small businesses like mine, consumers are

then faced with very few choices. I sincerely believe the intention of this proposal is for the ultimate benefit of consumers, not to eliminate their choices. I believe the current anti-predatory lending laws such as Georgia's offer sufficient restrictions as to the total percentage of income permissable on a loan. 5. steering: Please understand that it is my job to educate consumers so that they can make an informed decision, it is not my job to shop and determine what is the consumer's best interest for them.
We cannot assume that the general public is so uninformed that they aren't capable of making decisions. I would suggest that the Board abandons this proposal all together. I appreciate the opportunity to have made myself heard and hope that my comments are helpful.