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Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:
The focus of this bill is way off. I have been a loan officer for 7 years and have survived and flourished in both the boom and subsequent bust. The issue is not compensation. The issue is protection for borrowers. Less compensation will not ensure that borrowers are protected. In fact, it will reduce the overall quality of the people originating loans and drive up the incidents of fraud. The market conditions have driven out 60% of originators as it is. Those that are honest and look out for their customers are surviving. There is no reason to drive them out only to replace them with low paid order takers. With the additional restrictions that have been placed on mortgage companies in terms of documentation (which are a good thing) mortgages have become much harder to do. The mortgage industry, which is now dominated by large banks, is taking 47 days on average to close a loan. Smaller mortgage bankers, like Summit Funding perform a valuable service to borrowers by closing loans in 28 days on average. There is value there. At the point where compensation is limited to a flat fee or a flat percentage of loan amount, there is no incentive to provide better service as it costs more. It will drive many small mortgage bankers out of business and will leave the mortgage industry completely controlled by the big banks. The big banks will get bigger and service levels will decline significantly and the American taxpayer will once again be on the hook when these banks struggle as they are "too big to fail". The focus should be on regulating documentation. Borrowers and lenders need to be saved from themselves by requiring that they document the ability for repayment on their loans. I have spent my career at the epicenter of the foreclosure crisis in Stockton, CA. The issue that continued to drive the market well over the edge of the cliff was the fact that buyers were allowed to purchase homes they never could afford. Had income been documented, housing prices would never have climbed that high. At the peak of the market only 11% of families in the market could afford a median priced home of $400,000. Unfortunately, the prospect of getting rich quick through rising equity and the

fear of being permanently priced out of the market drove people to buy using stated income and no documentation loans and ultimately end up in homes they could not afford.  There is absolutely no need (don't confuse need and demand) for these loans.  If buyers can't verify the income they earn with tax returns, w-2's and paycheck stubs they should not be buying a home.  Had this been regulated through the boom years, the market would have likely capped out when houses began to become unaffordable and there would have been a moderate decline instead of a full blown bust.  Several states have already passed legislation to eliminate these unnecessary loans that do nothing but promote fraud and greed.  The federal government would do well to follow this example and legislate against the cause of the problem rather regulating compensation and hurting the small to moderate sized mortgage bankers who survived the bust by providing quality loans and excellent service.